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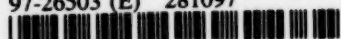
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Agenda item 143

### **Report of the Secretary-General on the activities of the Office of Internal Oversight Services**

#### **Note by the Secretary-General**

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General transmits herewith to the Assembly as submitted the third annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 1996 to 30 June 1997 (see annex).
2. Reports of the Office of Internal Oversight Services have been an extremely valuable source of reference and guidance in the development of both the overall vision and specific measures connected with the reform effort. The Secretary-General concurs with the observations of the Under-Secretary-General for Internal Oversight Services in his preface that the Office is an important new element in the management culture of the Organization and that the creation of the Office by consensus resolution was itself a most meaningful and effective reform step by the General Assembly.
3. The ongoing efforts of the Office of Internal Oversight Services to cooperate and coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, will contribute to providing comprehensive oversight services for the Organization. The Secretary-General will continue to support the full and timely implementation by programme managers of recommendations made by the Office of Internal Oversight Services, which will continue to be a key element in the ongoing reform process.



## **Annex**

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### **Report of the Office of Internal Oversight Services**

for the period  
from 1 July 1996 to  
30 June 1997

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## Preface

by the Under-Secretary-General for Internal Oversight Services

"Reform" has continued to be the number one preoccupation for the United Nations during the period covered by the present report, from 1 July 1996 to 30 June 1997. This word has not only dominated the political discussion inside and outside the world Organization and its media coverage, but also the work of the Secretariat and the thinking of United Nations staff.

How does the Office of Internal Oversight Services (OIOS) and the functions of internal oversight, fit into the *leitmotif* of United Nations reform?

My first answer to this question is that the creation of OIOS by a consensus resolution in the summer of 1994 was by itself a most meaningful and effective reform step taken by the General Assembly. Through that decision, the Assembly added an important new element to the management culture of the United Nations, an element that had been lacking for almost five decades, namely, independent internal oversight within the Organization.

Looking at the work of OIOS over the past two and a half years, and reviewing more specifically the activities and results of the past 12 months, I come to the conclusion that the impact of the new Office on the United Nations management culture is significant. It has heightened fiscal awareness among staff, contributed to streamlining many administrative and other United Nations activities, watched over the strict observance of rules and regulations, promoted economical solutions and battled irregularities and wrongdoing against the Organization. OIOS recommendations have aimed at structural change, better management, more accountability and increased transparency.

There have been, as this report will show, significant improvements in the quantity and quality of oversight activities in the past year. OIOS, through its work, has been an active agent and supporter of the ongoing United Nations reform, illustrating the observation by the

Secretary-General, Mr. Kofi Annan, that "reform is a process, not an event".

I have been asked frequently to what extent OIOS interacts with the Executive Coordinator for United Nations Reform, Mr. Maurice Strong, and his collaborators. My answer to that question is that all the OIOS reports, all our pertinent findings and recommendations, have been made available to the reform group and were used in their deliberations. A number of consultations on specific projects have also taken place. However, I have not sought and have not been requested to become an active member of that group, in view of the independence of the OIOS function. I feel strongly that I should not be involved in any management decisions that I may be expected to scrutinize later on from an oversight point of view.

Beyond the issue of reform, OIOS reports have been received with increasing interest by the General Assembly, the media and the general public. The attention that the Assembly devotes to our findings and recommendations is very important and highly appreciated; it is the most weighty leverage this Office has and directly influences the rate of compliance, which, I am proud to state, continues to climb.

Media reporting, not surprisingly, concentrates on the more serious and controversial results of oversight work; more often than not, it focuses on our critical verdicts and does not convey the "balanced" picture United Nations insiders would like to see portrayed. I am confident, however, that the bottom-line message in most media reports — that internal oversight in the United Nations functions adequately — goes down well with consumers of international news and is beneficial to the Organization.

Managers, of course, would also like to have OIOS reports more "balanced" and I hear them comment frequently that the auditors, inspectors, evaluators and investigators only accentuate the negative and do not recognize management's achievements, successes and

innovations. Furthermore, when we ask our clients to comment on our analyses, they sometimes, in disagreeing with them, point to "factual errors" or "misinterpretations", when in reality they merely do not agree with our judgement. I believe this dialectic phenomenon is generic to all oversight work, not only in the United Nations. I need to become concerned only when, in the course of such an argument, the professionalism of my collaborators is challenged.

In order to address this issue, during this reporting period OIOS has refined its procedures for client consultation and introduced a quality control system for our work that includes peer review and other methods to ensure that our findings and recommendations are measured, realistic and thoroughly documented. In the context of assuring quality work by OIOS, I need also to comment on the resources for the Office. The 12 additional posts that OIOS was given by the General Assembly for the period 1996-1997 could only be filled with considerable time-lag, mainly because of the United Nations standard practice of budgeting new posts during the first biennium at 50 per cent, but also due to some other delaying factors. The full financial impact of this strengthening of OIOS only becomes evident in our budget proposal for 1998-1999, which shows an increase in our total submission of over \$2.5 million, but in reality is very close to a maintenance budget.

In the past 12 months, I have again visited duty stations away from Headquarters in Geneva, Vienna and Nairobi, and also in Rome and Amman. What I observed in my first comprehensive report in 1995 (A/50/459, annex) is still valid today: each of these duty stations has its own character — which is understandable — but also seems to be very distant from New York in terms of work procedures, common goals or shared values — which is not so understandable and points to lingering problems of fragmentation and lack of communication. This is one area United Nations reform needs to address vigorously.

It is hoped that new initiatives aiming at decentralization and delegation of authority will take root soon and be embraced by staff, but this cannot be achieved just by issuing a few new administrative instructions; the decentralization of the functions of the Organization must be approached rationally and after ensuring that the factors that are essential for its success are set in place. This

requires, first of all, a clearly articulated delegation of authority that also spells out the accountability of those to whom such authority has been delegated; thorough training and awareness-building must follow to educate staff about the essential aspects of empowerment. Lastly, this initiative requires the establishment of an effective monitoring mechanism to ensure that the authority delegated is being exercised prudently and judiciously. Internal oversight will focus on these issues in its work and thus contribute to the decentralization process inside the Organization.

Another area to be tackled is the huge mass of rules and regulations that has piled up over the decades and which now confuse rather than guide administrative activities, most particularly in the fields of financial and human resource management. Efforts to weed them out are under way, but the results have yet to be seen. On the other hand, the work of OIOS recently brought into the open significant lacunae in the legal instruments of the United Nations. To wit, one OIOS oversight case has highlighted the lack of a stringent, United Nations-applicable definition of "conflict of interest". We have presented our respective findings to the authors of the draft Code of Conduct, which has meanwhile been approved by the Secretary-General and would remedy this gap in the United Nations rules. Furthermore, OIOS has noted that the Staff Regulations and Rules and the administrative issuances are not as clear as they should be. Indeed, they have too often protected staff members from being held accountable for their actions and have done too little to protect the interests of the United Nations. Efforts made by our colleagues, notably in the Office of Legal Affairs, to streamline and strengthen the rules have the full support of OIOS while we shall continue to press for reform in this area.

The quality of horizontal communication within the Secretariat, one of my most serious concerns when I came on board in 1994, has significantly improved with Secretary-General Annan's early decision to convene a policy coordination group — a cabinet, as it were — and four executive committees, which meet regularly and ensure mutual information, coordination and cooperation and reduce "turf" thinking, duplication and overlap. The impact of this new leadership style clearly goes beyond the Secretariat, reaching out to separately administered funds and programmes and signalling a more modern, more effective and more efficient way to go about the business the world community has mandated to the United Nations.

With all of these developments, I do not suggest that this Organization is in perfect shape yet. What international or public administration could make such a claim?

But the process of change, of reform, of improvement of the United Nations is moving forward, not so much

because of the financial constraints imposed on the Organization, but to a large extent in spite of them. It is high time that all Member States recognized and acknowledged this development.

*(Signed) Karl Th. Puschke*  
Under-Secretary-General  
for Internal Oversight  
Services

New York, 31 July 1997

# I

## General management of the Office of Internal Oversight Services

### A. Introduction

1. The General Assembly, in its resolution 48/218 B of 29 July 1994, established the Office of Internal Oversight Services (OIOS), with the intention of enhancing oversight functions within the United Nations, in view of the increased importance, cost and complexity of the Organization's activities, through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and the expectation that it would give assistance and provide methodological support to programme managers in the effective discharge of their responsibilities. On 24 August 1994, by its decision 48/323, the Assembly approved the nomination of Mr. Karl Th. Paschke as Under-Secretary-General for Internal Oversight Services. He assumed his duties on 15 November 1994.

2. Since the adoption of General Assembly resolution 48/218 B, United Nations issuances have further explained the role of OIOS. The provisions in the Secretary-General's Bulletin of 7 September 1994 (ST/SGB/273) describe in detail the mechanisms for implementing resolution 48/218 B and the scope of OIOS authority and responsibilities. The means for reporting matters to OIOS were described in an administrative issuance (ST/AI/397) also issued on 7 September 1994. Terms of reference were further described within the United Nations legal framework in the information circular of 25 April 1996 (ST/IC/1996/29). To make OIOS operations even more transparent, during the present reporting year OIOS has been developing new manuals. The internal audit manual of the Audit and Management Consulting Division has been substantially revised and is undergoing further review and revision. The Investigations Section manual was issued in the beginning of 1997 in English and French and is available on the Intranet.

### B. Monitoring implementation of the recommendations of the Office of Internal Oversight Services

3. Paragraph 28 of document ST/SGB/273 set out eight categories of information, listed as subparagraphs (a) to (h), to be included in OIOS annual reports. In terms of those eight subparagraphs, the information in the present report is as follows:

- (a) and (b) A description of significant problems, abuses and deficiencies: see paragraphs 9 to 167;
- (c) Recommendations not approved by the Secretary-General: none;
- (d) and (e) Recommendations in previous reports on which corrective action has not been completed or where management revised a decision from a previous period: see appendix I;
- (f) and (g) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused: there have been no such situations;
- (h) The value of cost savings recommended and amounts recovered: see box after paragraph 18.

4. As required by its mandate, OIOS reports to the Secretary-General on the status of implementation of its recommendations on a semi-annual basis. Two such reports have been submitted to the Secretary-General since the last annual report, covering the periods from 1 July to 31 December 1996 and from 1 January to 30 June 1997. The strong emphasis by OIOS on the full implementation of its auditing, inspection, evaluation and investigation recommendations has caused some profound changes within the management culture of the United Nations. Programme managers are increasingly aware of the fact that mere acceptance of recommendations is no longer sufficient, as it often was before the creation of OIOS. To get "off the hook" of OIOS review, meticulous implementation of its

recommendations is required. A computerized monitoring system now tracks recommendations issued by OIOS. The sense of responsibility and accountability thus instilled can be expected to reduce further the occurrence of abuse and to enhance the efficiency and effectiveness of management.

5. For these two last semi-annual reports, OIOS has changed its monitoring policy and procedures with regard to the audit function. The new policy requires that every audit assignment result in a final audit communication, normally an audit report. These final audit reports provide senior management with an objective assessment of the audited area and inform them about major findings and recommendations. OIOS reporting on the status of implementation of audit recommendations has been, therefore, limited in the two most recent semi-annual reports to substantive recommendations issued in such final communications. As a consequence, since 1 July 1996, the number of new recommendations has fallen considerably, as shown in the second box after paragraph 18 below. The table of audit recommendations shows an average implementation rate of 70 per cent of all recommendations (4,042) from 1 October 1994 to 30 June 1996. Even under the more stringent procedures, the implementation rate was 61 per cent at the end of June 1997 for the 513 audit recommendations issued from 1 July 1996 to 31 December 1996.

6. For the reporting period, the Investigations Section has issued 121 recommendations. Of the 37 recommendations issued in the first half of the reporting period, the implementation rate is 81 per cent. Of those 84 recommendations issued in the second half of the reporting period, nearly a third concerned the International Criminal Tribunal for Rwanda (see paras. 72-79) and implementation of those recommendations is being assessed by a team of investigators and auditors; a report on this follow-up will be issued to the General Assembly. Another 20 recommendations issued in the second half emanate from four reports issued to programme managers on aviation contracts in peacekeeping missions and implementation is under way following extensive consultation. In general, receiving departments have accepted the Investigations Section's recommendations, but implementation is delayed for reasons that include the need to obtain additional legal advice on implementation methods and processes; administrative and/or disciplinary processes are begun that take protracted periods of time; financial implications are assessed; and all due process requirements are observed. In addition, recommendations that involve bringing criminal complaints require extensive consultations with other departments and with the concerned Member States.

7. A review of the new follow-up procedures, and their results, for the inspection function is provided in paragraphs 126 to 158 below. Procedures for monitoring the recommendations in reports on in-depth evaluations have been established for many years. The Committee for Programme and Coordination receives a triennial review three years after adopting its decisions on the evaluation. The triennial review assesses compliance with those recommendations the Committee endorsed and, if necessary, makes recommendations for further action. During the intervening three years, progress in compliance is monitored.

### **C. Enhancing internal oversight in the operational funds and programmes**

8. When the General Assembly established OIOS, it requested the Secretary-General, in paragraph 11 of resolution 48/218 B, to submit a detailed report containing recommendations on the implementation of the resolution as it pertained to the internal oversight functions of the funds and programmes, including methods by which the Office could assist such funds and programmes in enhancing their internal oversight mechanisms. OIOS submitted a first draft of the report to the Secretary-General in January 1996. The Secretary-General fully endorsed the draft and addressed copies of it to the heads of the funds and programmes, requesting them to consult with their governing bodies, as envisaged in the resolution.

9. OIOS took an active part in this consultation process, whose outcome was, in general, positive. All executive heads of the agencies concerned approached the issue in a constructive spirit. The Standing Committee of the Office of the United Nations High Commissioner for Refugees (UNHCR) adopted a very constructive decision. No decision was taken in the Executive Boards of the United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), but the report met with broad approval from delegations. A number of governing bodies, however, simply took note of the report. Comments by Member States made during those consultations were taken into account by way of amendments to the first draft report. The second draft of the report was submitted to the Secretary-General on 13 January 1997. Subsequently, the Secretary-General released the final version (see A/51/801).

10. The report describes the internal oversight functions in each of the funds and programmes and makes specific recommendations to improve and strengthen oversight. In the Fifth Committee, the report has been thoroughly

discussed and two resolutions drafted, but no consensus has yet been reached. In the meantime, the administrators of the funds and programmes have already noted that their oversight functions are susceptible of improvement. Several have requested and received the assistance of OIOS in areas where they do not have the necessary expertise, notably in the audit and investigative function. A number of funds and programmes continued to secure their internal audit function through audit services provided by OIOS. One programme, UNDP, invited the Under-Secretary-General of OIOS to become a member of its Management Review and Oversight Committee.

11. During the reporting period, OIOS and UNHCR signed a memorandum of understanding on the provision of internal audit services to UNHCR. An average three-year audit cycle for UNHCR field operations is envisaged, which requires increased staffing resources for the OIOS/UNHCR Audit Section. The memorandum of understanding clarifies the role of UNHCR management and the UNHCR Oversight Committee in establishing the annual audit plan. In line with the decentralization of UNHCR, OIOS intends to outpost resident auditors to major UNHCR field operations.

12. A memorandum of understanding on the provision of internal audit services on a cost reimbursement basis was also concluded with the International Trade Centre UNCTAD/WTO. Based on similar agreements reached during the previous reporting period, OIOS has now also fully assumed the internal audit functions for the United Nations Joint Staff Pension Fund and the United Nations Drug Control Programme (see paras. 105 and 106 below).

#### **D. Guidelines on programme monitoring and evaluation**

13. OIOS is under an obligation to provide guidance to the heads of departments and offices in two basic areas of management, namely, keeping track of the progress of work through monitoring and attempting to assess the effectiveness of work through what is termed self-evaluation. As stated in the report of OIOS dated 28 March 1996 (A/51/88, annex), this guidance was delayed until enough inspections had been conducted to yield an empirical review of the strengths and weaknesses of existing departmental procedures. In general, OIOS studies have shown that adequate monitoring and evaluation practices do not exist in many departments and offices.

14. Draft guidelines have been circulated, setting out minimal elements of programme monitoring and evaluation that should be in place in each department and office. Extensive discussions of the draft guidelines have been held with senior managers in most departments at Headquarters and responses to them received from departments and offices overseas. Final guidelines will be issued in the fourth quarter of 1997.

15. Nothing in the guidelines is new. Their intent is to codify good practice. They also serve to make transparent managerial practices OIOS staff will review in future audit, monitoring, inspection and in-depth evaluation activities and the minimal standards they will keep in mind.

16. For programme performance monitoring, submissions to OIOS are now required at the end of the first year of the biennium, after 18 months and after the end of the biennium. The last of these three submissions is required to provide information for the programme performance report of the Secretary-General, a report mandated by the General Assembly. Under the new guidelines, the first two submissions will not be required for any department or office that has an adequate monitoring system of its own in place and allows OIOS read-only access to the system. The ultimate objective is to assist in the establishment of departmental monitoring systems that will permit OIOS to do away with elaborate and bureaucratic submissions.

17. Another feature of the guidelines that will be of general interest is the proposed establishment and monitoring of performance norms for support services, such as translation and reproduction of publications, the processing of entitlements, procurement actions, recruitment and so on.

#### **E. Priorities**

18. The first annual report of OIOS (A/50/459, annex) identified three priority areas for oversight: peacekeeping, humanitarian and related activities, and procurement. In last year's annual report (A/51/432, annex), the problem of establishing new bodies was also treated as a priority matter. That pattern of priorities remains unchanged in this year's annual report.

**Cost savings and recoveries resulting from actions  
of the Office of Internal Oversight Services,  
1 July 1996-30 June 1997**  
(Millions of United States dollars)

| <i>Nature of financial implication</i>                                       | <i>Amount identified and recommended</i> | <i>Savings and recoveries</i> |
|------------------------------------------------------------------------------|------------------------------------------|-------------------------------|
| Recoveries .....                                                             | 6.3                                      | 1.8                           |
| Prevention of overpayment .....                                              | 1.2                                      | 0.2                           |
| Expenditure reduction .....                                                  | 3.0                                      | —                             |
| Prevention of excessive or unjustified expenditure .....                     | 7.4                                      | 5.1                           |
| Additional income .....                                                      | 1.3                                      | 0.6                           |
| Budget reductions in 1996-1997 in conformity with OIOS recommendations ..... | 10.1                                     | 10.1                          |
| <b>Total</b>                                                                 | <b>29.3</b>                              | <b>17.8</b>                   |

**Implementation rates for audit recommendations  
of the Office of Internal Oversight Services**

| <i>Period covered</i>        | <i>Total number of recommendations</i> | <i>Implementation rate as at</i> |                          |                         |                     |                     |
|------------------------------|----------------------------------------|----------------------------------|--------------------------|-------------------------|---------------------|---------------------|
|                              |                                        | <i>31 March 1995</i>             | <i>30 September 1995</i> | <i>31 December 1995</i> | <i>30 June 1996</i> | <i>30 June 1997</i> |
|                              |                                        | <i>(Percentage)</i>              |                          |                         |                     |                     |
| 1 October 1994-31 March 1995 | 1 343                                  | 15                               | 45                       | 50                      | 84                  | 84                  |
| 1 April-30 September 1995    | 1 057                                  | —                                | 31                       | 37                      | 58                  | 67                  |
| 1 October-31 December 1995   | 480                                    | —                                | —                        | 36                      | 59                  | 66                  |
| 1 January-30 June 1996       | 1 162                                  | —                                | —                        | —                       | 41                  | 67                  |
| <b>Total or average</b>      | <b>4 042</b>                           | <b>15</b>                        | <b>38</b>                | <b>41</b>               | <b>61</b>           | <b>71</b>           |

| <i>Period covered</i>   | <i>Total number of recommendations<sup>a</sup></i> | <i>Implementation rate as at</i> |                     |
|-------------------------|----------------------------------------------------|----------------------------------|---------------------|
|                         |                                                    | <i>31 December 1996</i>          | <i>30 June 1997</i> |
|                         |                                                    | <i>(Percentage)</i>              |                     |
| 1 July-31 December 1996 | 513                                                | 36                               | 61                  |
| 1 January-30 June 1997  | 298                                                | —                                | 48 <sup>b</sup>     |
| <b>Total or average</b> | <b>811</b>                                         | <b>36</b>                        | <b>38</b>           |

<sup>a</sup> Reflects only those recommendations made in final communications, that is, reports or memos to heads of departments (see para. 5).

<sup>b</sup> Implementation rate based on 112 recommendations for which replies were received as at 30 June 1997.

## II

### Priority areas for oversight

#### A. Peacekeeping

##### 1. Audit coverage of peacekeeping operations

19. In addition to conducting audits of various activities of the Department of Peacekeeping Operations at Headquarters, audits of the following missions were conducted in the field during the reporting period:

- (a) United Nations Peace Forces (UNPF);
- (b) United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES);
- (c) United Nations Mission in Bosnia and Herzegovina (UNMIBH);
- (d) United Nations Preventive Deployment Force (UNPREDEP);
- (e) United Nations Logistics Base;
- (f) United Nations Peacekeeping Force in Cyprus (UNFICYP);
- (g) United Nations Interim Force in Lebanon (UNIFIL);
- (h) United Nations Truce Supervision Organization (UNTSO);
- (i) United Nations Disengagement Observer Force (UNDOF);
- (j) United Nations Observer Mission in Georgia (UNOMIG);
- (k) United Nations Iraq-Kuwait Observation Mission (UNIKOM);
- (l) United Nations Guards Contingent in Iraq/United Nations Administrative Unit-Baghdad (UNGCI/UNAUB);
- (m) United Nations Military Observer Group in India and Pakistan (UNMOGIP);

(n) United Nations Mission for the Referendum in Western Sahara (MINURSO);

(o) United Nations Angola Verification Mission III (UNAVEM III);

(p) United Nations Assistance Mission for Rwanda (UNAMIR);

(q) United Nations Support Mission in Haiti (UNSMIH);

(r) United Nations Verification Mission in Guatemala (MINUGUA).

20. OIOS Resident Auditors in UNPF, UNTAES, UNAVEM III and UNSMIH also provided continuous audit coverage at those peacekeeping missions.

##### (a) UNPF

21. OIOS audits focused on the liquidation of UNPF and disposal of United Nations-owned assets having an original value of more than \$430 million. Overall, the audits determined that the liquidation process was being accomplished in an organized manner and that a reasonable accounting had been made of the disposition of assets. By monitoring the progress of UNPF liquidation activities on an ongoing basis, the OIOS audit teams brought critical issues to management's attention for timely corrective action. For example, with the liquidation of UNPF in process, OIOS found that there was a need for UNPF to pursue collection action in a vigorous manner in order to clear large accounts receivable balances and recommended ways to help UNPF improve its collection efforts.

Overall, the audits determined that the UNPF liquidation process was being accomplished in an organized manner and that a reasonable accounting had been made of the disposition of assets.

22. OIOS auditors found that a huge backlog of approximately 11,000 board of inquiry cases was pending at the time of the mission's liquidation because the essential task of processing cases had been largely neglected during the early stages of the mission. OIOS recommended that management reassess the priorities assigned to the remaining case workload and ensure that board of inquiry cases in other missions were dealt with at an early stage. As a result of prompt corrective action by UNPF, all cases were completed by the end of February 1997. OIOS also determined that the two aircraft used to support the missions in the former Yugoslavia were underutilized and that the air transportation needs could be met at significantly lower cost with one aircraft. Similarly, the auditors questioned an option being considered for the commercial disposal of 140 armoured personnel carriers at a cost of nearly \$1 million and a contract to dispose of live, unserviceable ammunition at a cost of approximately \$90,000. Management achieved significant savings by utilizing a scrap contract to dispose of the personnel carriers and obtaining governmental assistance in disposing of the ammunition.

#### (b) UNTAES

23. Audits by the resident auditor and visiting audit teams concluded that UNTAES operations had been conducted in accordance with its mandate, but that available resources could have been used more efficiently and economically. OIOS observed that UNTAES budget submissions for rental of premises did not reflect the fact that nearly all facilities and sites were provided at no cost to the United Nations as a result of successful efforts by UNTAES to persuade the local authorities to provide premises free of charge. UNTAES agreed to adjust its budget request for the rental of premises and this figure was reduced by \$4 million in the proposed programme budget for the biennium 1996-1997. Contracts for waste removal were awarded without competition and catering and cleaning performed by local staff could have been done more economically by means of service contracts. The mission placed excessive reliance on cash payments and did not seek approval from the Controller to administer funds entrusted to it by the Government of Croatia for payment of salaries and other expenditures to local authorities in the mission area. UNTAES has since renegotiated contracts and required vendors to accept payment by cheque or bank transfer. Irregularities were noted in the receipt and delivery of fuel and OIOS recommended strengthening of internal controls over fuel receipt and storage as well as increasing civilian control over fuel operations. Similarly, increased control

needed to be exercised over food deliveries under the mission's ration supply contract. Moreover, the audits disclosed that the distribution of vehicles in the mission required adjustment to enable military observers to perform their tasks effectively. Management generally concurred with the auditors' findings and took appropriate action to implement their recommendations.

#### (c) United Nations Logistics Base at Brindisi

UNTAES operations were conducted in accordance with its mandate, but available resources could have been used more efficiently and economically.

24. The Organization has invested significant resources in establishing the United Nations Logistics Base at Brindisi, Italy. As discussed in a recent report to the General Assembly (A/51/803, annex), OIOS believes that the logistics base concept is viable if managed efficiently and effectively. However, OIOS audits disclosed that the Base had not fulfilled its approved functions of managing surplus assets and maintaining mission-ready start-up kits. Specifically, the Base did not perform a technical evaluation of equipment; had not yet established proper inventory procedures; start-up kits were not complete; and only limited services were provided to new and expanding missions. Much of the reserve equipment was in poor condition and the Base had done little to write off such items. These problems resulted primarily from an inadequate organizational structure as well as insufficient personnel and financial resources. OIOS cautioned against expanding the Base's functions without careful cost analysis and legislative approval. Key recommendations included intensifying efforts to complete start-up kits; expeditiously conducting technical reviews to determine equipment serviceability; and ensuring that only equipment expected to be used in the future be shipped to the Base.

#### (d) UNAVEM III

25. Audits by the resident auditor and a visiting audit team disclosed control weaknesses in the areas of procurement, contract administration and management of accommodation and communication facilities. There were serious breaches of financial regulations and rules as well as improprieties and irregularities in the procurement process resulting in significant losses to the Organization.

The audit found that the splitting of requisitions allowed bypassing of the normal procurement procedures and scrutiny by the committees on contracts. Goods were procured from a restricted group of middlemen at higher prices. Payments were requested and authorized without obtaining required receiving and inspection reports. Acceptance of delayed, defective and short supplies from a vendor resulted in excess payments of \$288,000 and losses of \$980,000. There were also serious irregularities noted in the contracting of an aircraft.

**There were serious breaches of financial regulations and rules as well as improprieties and irregularities in the procurement process.**

26. Internal control weaknesses resulted in extensive abuse of communication facilities and irregular payments to a vendor. The mission paid \$667,000 for stevedoring charges in connection with the sea-lift of contingent-owned equipment, which should have been the responsibility of the vessel operators. Administrative lapses also led to irrecoverable losses of \$241,000 for the rental of buses. An excessive obligation of \$113,000 for hiring of accommodation facilities was averted upon the advice of the resident auditor. OIOS recommended that management revamp the Procurement Section; determine individual accountability for improprieties and losses; strengthen internal controls; and re-register vendors. OIOS was informed:

"Management has complied with these recommendations. A number of boards of inquiry have been established to review the circumstances of the procurement irregularities and abuse of communications facilities, and the investigation and review of alleged misconduct continues to be undertaken in order fully to determine the accountability of individuals for the purpose of instituting disciplinary proceedings."

#### (e) UNAMIR

27. Control weaknesses adversely affected the liquidation of the Mission and resulted in losses to the Organization. Financial management weaknesses included delays in bank reconciliations and financial reporting and a lack of proper analysis and control over outstanding obligations and accounts receivable. There were also inadequacies in the

management and control of non-expendable property. Unreliable inventory records affected the proposed distribution of UNAMIR assets. There were also inadequacies in the valuation of contingent-owned equipment for reimbursement purposes. Three contingents had departed from the Mission without completing in- or out-surveys and consequently had left no audit trail to verify their equipment holdings.

28. Better controls could have avoided excessive ordering of food rations and resulting losses of over \$600,000. Significant cost savings could have been realized if daily ceiling rates based on troop contingents had been applied in the subsequent rations contract. The arrangements for freight management services were found to be unsatisfactory. Although management had initiated remedial actions recommended by OIOS, a subsequent review of the Mission's liquidation status revealed delays and other problems that needed to be addressed and monitored by the Department of Peacekeeping Operations.

#### (f) UNSMIH

29. The resident auditor provided audit coverage of personnel and financial management, procurement and property management and communications facilities. In the area of procurement, the resident auditor made several recommendations for improving the terms of contracts and their administration. An audit of communications disclosed that an UNSMIH telephone technician had provided unauthorized international access to some staff members and, in some cases, inappropriately reduced telephone charges. As a result of those findings, management decided not to renew the technician's contract, which expired in February 1997.

30. The resident auditor also addressed issues raised in connection with the Organization of American States (OAS) share of the common costs of the International Civilian Mission in Haiti. After an audit of those costs, OAS agreed to reimburse its share of the costs up to 31 December 1996. An audit was also made of direct expenditures from the trust fund to provide goods and services to the international police monitoring programme and other specifically designated purposes in Haiti, in connection with the transfer of the fund's administration to UNDP as at 1 April 1997. The audit provided assurances that the expenditures were being properly utilized and contributed to the attainment of the fund's objectives.

**(g) MINUGUA**

31. Internal control weaknesses resulted in uneconomical use of the Organization's resources and non-compliance with United Nations procurement rules. The audit noted that requisitions and purchase orders were sometimes issued on an *ex post facto* basis; furniture and communications equipment were purchased without competitive bidding; and mission subsistence allowance was improperly paid to staff during time spent outside the mission area and on completion of mission assignment. Monthly costs more than doubled in conjunction with the moving of MINUGUA headquarters to a new location and renovation work was carried out at a cost of more than \$225,000. The Mission maintained that the increased rental costs and renovations were justified by the increase in staffing and inability to obtain additional space at the previous location. Management implemented corrective action in compliance with the auditors' recommendations and is in the process of relocating MINUGUA headquarters to a new facility to benefit from lower rental rates now available.

**2. Management consulting services**

32. During the reporting period, OIOS was requested to provide management consulting services in connection with three projects being undertaken by the Department of Peacekeeping Operations. Consulting services differ from audit assignments in that they are initiated solely at the request of the client and provide advice to management for decision-making. These assignments are described briefly below.

*Material management project*

33. In 1996, the Department of Peacekeeping Operations had initiated a project to review the management of non-expendable equipment inventories in use at peacekeeping missions around the world and in storage at the United Nations Logistics Base at Brindisi, Italy. The OIOS consulting team provided technical advice on the project approach, system design methodology and project management.

*Task force on mission subsistence allowance*

34. Consultancy services were provided to the joint task force formed by the Office of Human Resources Management and Department of Peacekeeping Operations to streamline and clarify mission subsistence allowance rules and establish a new system for it. The OIOS

consulting team submitted written assessments of draft policies and procedures and suggested a number of changes to facilitate implementation of the new system. As a result of the task force's work, a new administrative instruction on mission subsistence allowance is being promulgated.

*Global vehicle procurement project*

35. The OIOS consulting team provided an independent assessment of the technical evaluation process used by the Department of Peacekeeping Operations to evaluate proposals received from vehicle manufacturers, suggesting ways to strengthen the evaluation process and to facilitate administration of the contract.

**3. Other issues***New methodology for reimbursement of contingent-owned equipment*

36. In 1996, the Department of Peacekeeping Operations began reimbursing troop-contributing nations for contingent-owned equipment expenses under a new "wet" and "dry" lease methodology authorized by the General Assembly in its resolution 50/222 of 11 April 1996. As a measure to enhance the transparency of the new process, OIOS auditors were invited to observe negotiation sessions with nations electing to be reimbursed under the new methodology for their participation in UNPF. During those negotiations, OIOS auditors sought clarification of reimbursement issues and decisions for the record. They also made recommendations to strengthen the United Nations negotiating position, which achieved cost savings of more than \$1.1 million.

OIOS believes that further study is needed to evaluate the costs and benefits of the new reimbursement methodology for contingent-owned equipment.

37. Based upon the experiences gained from observing the initial negotiations, OIOS believes that further study is needed to evaluate the costs and benefits of the new reimbursement process and to assess the reasonableness of the approved "wet" and "dry" lease rates and self-sustainment allowances. OIOS consequently recommended that the Department of Peacekeeping Operations perform

parallel calculations of reimbursement under the old and new systems and propose any necessary adjustments to the lease and self-sustainment rates approved by the General Assembly. The Department is currently preparing a report to the Assembly that will include recommendations to improve the implementation of the new reimbursement system.

*Action plan to improve controls in peacekeeping missions*

38. As a measure to improve internal controls in peacekeeping missions, the Department of Peacekeeping Operations has developed an action plan to address generic control weaknesses identified from past internal and external audits. The action plan is aimed at tackling specific weaknesses within the broader context of introducing enhanced management controls, rather than adopting a piecemeal approach to the problems. The action plan includes actions initiated and taken to address weaknesses in cash management; finance, accounts and budgetary control; procurement; inventory management; air operations and vehicle management; and personnel management. OIOS commends the Department on this approach and believes that it will assist in the overall efforts to improve internal controls in the Organization.

**UNFICYP**

39. In July 1996, the Field Administration and Logistics Division received a report of an attempt to recruit the Force Catering Officer of UNFICYP into a scheme to defraud the United Nations. The Officer had recorded a meeting, which included a former Force Catering Officer, the contractor and the Chief Financial Officer of UNFICYP, during which the scheme's plans were described in detail. The Division forwarded the report to the Investigations Section. During the course of the investigation it was determined that the Chief Financial Officer was involved in an ongoing scheme to defraud the Organization by siphoning funds from the mission's account for fresh rations — that is, fresh fruit and vegetables provided to the peacekeeping troops. The investigation found that the Chief Financial Officer had covered up the losses in that account and had submitted documentation indicating that the account had a balance of nearly \$100,000 when, in fact, it had a deficit of nearly \$450,000. The Chief Financial Officer was charged and the case heard by the Joint Disciplinary Committee, which did not accept the taped evidence as definitive. The Secretary-General, upon review, dismissed the Chief Financial Officer. The UNFICYP Chief Administrative Officer, upon

advice of legal counsel and the local committee on contracts, removed the fresh rations contractor as an approved vendor. A new vendor is now supplying the rations.

## **B. Humanitarian and related activities**

### **1. Department of Humanitarian Affairs**

40. The report<sup>1</sup> on the in-depth evaluation of the Department of Humanitarian Affairs reviewed the achievements and shortcomings of the Department in (a) the promotion of natural disaster reduction programmes and the mobilization of emergency relief when disasters occur; and (b) the strengthening of the coordinated response of the United Nations to humanitarian emergencies.

41. The general thrust of the report was that, for emergencies requiring a coordinated response, the Department should focus on the support of the Inter-Agency Standing Committee and on coordination of emergency assistance without becoming operational itself and that more attention should be given to natural disaster reduction programmes. Recommendations taking into account the results of the management audit referred to in paragraph 43 below were made on, *inter alia*:

- (a) Special United Nations emergency rules and procedures;
- (b) Department of Humanitarian Affairs support to in-country coordination of disaster reduction programmes;
- (c) Department of Humanitarian Affairs follow-up to the International Decade for Natural Disaster Reduction;
- (d) Department of Humanitarian Affairs support to the Inter-Agency Standing Committee; streamlining of field coordination;
- (e) Early agreement on allocation of responsibilities; operational predictability in the response to emergencies;
- (f) Appeals launched in advance of inter-agency consolidated appeals;
- (g) Global monitoring of emergency assistance;
- (h) Advocacy of humanitarian issues and concerns with the policy-making organs of the United Nations;
- (i) Coordination with activities other than humanitarian assistance;

- (j) Enhancing the capacity to provide early warning analyses to the Secretary-General and members of the Inter-Agency Standing Committee;
- (k) Enhanced coordination with development programmes and agencies;
- (l) Dissemination of lessons learned and best practices.

42. The Committee for Programme and Coordination discussed the report at its thirty-seventh session and expressed appreciation for its quality and comprehensive nature. Subject to the different views expressed by delegations during the discussion and to subsequent decisions of the Economic and Social Council and the General Assembly on the coordination of humanitarian assistance at their upcoming sessions, the Committee endorsed recommendations 1 to 13 and 14 (b) to 22 of the report. The Committee considered that the in-depth evaluation report and the conclusions and recommendations of the Committee on it should be transmitted to the Economic and Social Council for consideration at its regular session of 1997 session under the item entitled "Special economic, humanitarian and disaster relief assistance".<sup>2</sup>

43. In conjunction with the in-depth evaluation, OIOS also conducted a management audit of the coordination of humanitarian activities in the field. The audit, which included site visits to various locations in Angola and Sierra Leone, made a series of management and organizational recommendations.

## 2. Office of the United Nations High Commissioner for Refugees

44. During the reporting period, OIOS audits covered expenditures of more than \$150 million in the following 14 country programmes: Bangladesh, Burkina Faso, Bosnia and Herzegovina, Central African Republic, Côte d'Ivoire, Croatia, Cyprus, Guinea, Italy, Philippines, Senegal, Sudan, United Republic of Tanzania and Yugoslavia. In addition, UNHCR headquarters support functions such as asset administration, education grants, outsourcing of cleaning and publication services and monitoring of local contracts committees were audited.

**OIOS audits covered expenditures of more than \$150 million in 14 UNHCR country programmes.**

45. Because UNHCR spends about 50 per cent of its funds through implementing partners (i.e. Governments and local and international non-governmental organizations) the OIOS/UNHCR Audit Section devoted a good deal of effort to auditing such bodies. Those audits disclosed various financial control weaknesses and recurring problems, such as delayed or unreliable financial and narrative reporting, making it difficult for UNHCR to determine the extent to which funds were being used for the intended purposes. In some cases, implementing partners reported budgeted amounts instead of actual expenditures. Also, audit certificates for UNHCR projects were not always received from implementing partners and at one major programme where UNHCR engaged the services of commercial auditors to address the problem, more than 50 per cent of the audit opinions had to be qualified owing to inadequate financial reporting systems. Weak financial infrastructures in field programmes appeared to be a major cause of such problems and UNHCR will have to make additional investments in the area if the financial management of its implementing partners is to improve. Submission of audit certificates is mandatory for implementing partners, and UNHCR is consulting with OIOS and the Board of External Auditors on improved procedures.

**At one major programme where UNHCR engaged the services of commercial auditors, more than 50 per cent of the audit opinions had to be qualified owing to the implementing partners' inadequate financial reporting systems.**

46. OIOS audits also disclosed that UNHCR field offices sometimes did not aggressively try to collect unspent balances, which in some cases had been concealed by implementing partners. Also, in one case, a government implementing partner took no action to correct financial irregularities disclosed by an audit. In order to review the project's activities, OIOS auditors had to reconstruct accounts from bank records covering the period from 1992 to 1996 because project documentation was in such poor condition. The auditors discovered massive internal transfers between 10 bank accounts valued at \$5.6 million out of the \$15 million reported by the implementing partner. Although the accounts were supposed to be used solely for UNHCR project funds, the auditors identified almost \$2 million in "funds" in excess of UNHCR remittances. Some of the transfers had been unjustified and

probably intended to move unutilized portions of UNHCR funds to unrelated activities. However, the auditors identified and recovered an unspent balance of \$90,000. UNHCR was following up on the case with OIOS assistance.

47. Revolving funds are being used increasingly for commercial and other purposes as a means to promote self-sufficiency among refugee populations. However, little guidance was available and UNHCR offices and implementing partners had difficulty managing and reporting on revolving funds. Recording of loan collections was particularly weak. In one instance, UNHCR overstated its receivables by \$1.4 million because loan payments had not been recorded. UNHCR is finalizing instructions on the management of revolving funds.

48. The auditors also identified other administrative weaknesses concerning such matters as procurement. The UNHCR headquarters Supply and Transport Section was not always consulted and, in some cases, purchases made in the field were more expensive than international procurement would have been. An implementing partner in one country purchased trucks at a cost of \$42,000 per vehicle without first consulting the Supply and Transport Section, which indicated that the price per truck should not have exceeded \$26,000. On being informed of this by OIOS, UNHCR recovered the overcharge of \$90,000. An audit of the new \$1 million asset management system, which was intended to improve UNHCR asset controls significantly, disclosed several implementation problems. OIOS found that the system was clogged with items of little value. Further, the new asset management policy delegated asset control and disposal authority to the field offices, which because of staffing and managerial problems often could not fully assume implementation responsibilities.

49. There were also personnel administration problems in the field. For example, several UNHCR field offices employed local staff, who were contracted and paid by implementing partners, which led to disparate treatment of such staff when compared with other categories of field office staff. UNHCR is reviewing the practice.

### **3. United Nations Relief and Works Agency for Palestine Refugees in the Near East**

50. The OIOS Investigations Section received a report from the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in September 1996 of a finding by

UNRWA auditors that Agency funds were being siphoned off through the submission of false medical reimbursement claims on behalf of registered Palestine refugees. The investigation by OIOS determined that the fraud had been perpetrated by a former staff member of the UNRWA West Bank Field Office in East Jerusalem who had used false refugee registration numbers, with a mix of names from his extended family, to defraud the Agency of approximately \$355,000 over the period from 1992 to 1995. The former staff member was able to use his knowledge of UNRWA internal procedures to forge medical documents, both medical reports and hospital invoices (in one case, from a hospital still under construction), so as to submit false claims for reimbursement of medical expenses incurred by supposedly eligible Palestine refugees. The investigation found 209 individual cases of fraud, including 191 cases that involved the use of his extended family.

The investigation by OIOS determined that the fraud had been perpetrated by a former staff member of the UNRWA West Bank Field Office in East Jerusalem who had used false refugee registration numbers, with a mix of names from his extended family, to defraud the Agency of approximately \$355,000.

51. The Investigations Section also conducted a review of internal controls within UNRWA as a consequence of the criminal investigation and made several recommendations for the strengthening of those controls in order to limit further abuses of the system in the future. Another area requiring closer scrutiny within UNRWA is the management of allocated budgets and monitoring of expenditure versus allocation. Failings in that area contributed to the longevity of the fraud.

52. UNRWA management is taking corrective action on internal controls. The criminal case has been passed by UNRWA to both the Israeli and the Palestinian authorities for prosecution.

#### 4. Centre for Human Rights

53. Tangible efforts have been made to address the core recommendations of the OIOS inspection of the Centre for Human Rights (see A/49/892). Those efforts gained momentum during the autumn of 1996 after a very slow start throughout 1995. Thus, a new organizational structure has been put in place and the corresponding skill profiles have been prepared. Redeployment of staff to meet the new requirements is almost complete and improvements have been introduced in the database system.

**Tangible efforts have been made to address the core recommendations of the OIOS inspection of the Centre for Human Rights.**

54. With respect to the core issue of enhancing the substantive and research capability of the Centre, it was noted that very little consideration had been given to building the necessary infrastructure of quality staff. Thus vacancies at the intermediate managerial level continued to be filled internally and the skill profile at that level remained uneven. Management attributed its inability to recruit fresh talents to the freeze on recruitment imposed in 1996. OIOS considers that particular effort should be made to fill future vacancies through external recruitment in order to obtain the expertise needed to enhance the analytical and research potential of the Centre. In that connection, it was noted that this aspect was being addressed through the staff redeployment exercise, which provides the management of the Centre with the opportunity to regularize most qualified temporary staff who have demonstrated their substantive and research ability.

**In terms of oversight and administration, the situation remains disquieting.**

55. In terms of oversight and administration, the situation remains disquieting. Over the past two years, OIOS has continuously stressed the urgency of establishing a system for monitoring the implementation of the work and assessing its results. The existence of such a system is not apparent as yet, nor are the plans for its establishment. Although the assignment of a P-5 post (Programme

Management Officer) to the oversight work in the new structure constitutes a step in the right direction, its success will depend very much on the degree of commitment of management towards the broader issue of internal control and accountability. In that regard, it is essential that management enhance the staff's awareness of their respective accountability and embrace self-monitoring and self-evaluation as an integral part of managerial responsibilities.

56. As far as the administration of the Centre is concerned, while improvements have been made in the area of financial control, there do remain a number of weaknesses in personnel administration and in addressing the requirements of an increased workload arising from the Centre's involvement in field operations. While the problem could be solved in part through additional resources, it also requires on the part of administration a greater energy and responsiveness to the manifold personnel issues. An informative administration willing to listen and to conduct constructive dialogue with staff is essential at this point when, because of staff concern about their career prospects, a high degree of unrest is unavoidable.

#### 5. United Nations Office of the Humanitarian Coordinator for Iraq

57. The United Nations Office of the Humanitarian Coordinator for Iraq was established to facilitate the implementation of Security Council resolution 986 (1995). That resolution gives the Council responsibility for four functions, namely: (a) the sale of Iraqi petroleum and petroleum products; (b) the purchase, confirmation of arrival in Iraq and distribution of humanitarian supplies; (c) reporting on the adequacy and equitable distribution of the humanitarian supplies; and (d) the establishment of an escrow account. In view of the extremely large revenue objectives (approximately \$1 billion per quarter) and complexity of the Organization's responsibilities under the resolution, in May 1997, OIOS, at the request of the Humanitarian Coordinator, assigned a resident auditor to Iraq to help ensure that the mandated functions were being carried out by the Office efficiently and effectively.

### C. Procurement

#### 1. Procurement reform

58. Procurement continues to be a vital United Nations function, through which the Organization obtains goods and services valued at more than \$500 million annually. In view

of its cost significance and inherent risks, including susceptibility to fraud and abuse, procurement continued to draw a good deal of OIOS attention. During the reporting period, OIOS conducted an audit to assess progress made in procurement reform by implementing the recommendations made by the High-level Group of Experts on Procurement in its report of December 1994. More specifically, the audit will confirm the current status of reform implementation; evaluate the quality of implementation; analyse the difficulties encountered by management in implementing reforms; and recommend improvements, where appropriate. The audit is focusing on procurement for peacekeeping and will address several specific areas, including management direction, competition, performance measurement, human resources, sources of supply and organization of the procurement function. OIOS intends to report the results to the General Assembly at its fifty-second session.

## 2. Outsourcing

59. At the request of the General Assembly, OIOS undertook a comprehensive review of outsourcing, covering operations at Headquarters, offices away from Headquarters and selected peacekeeping missions (A/51/804, annex). The review, which was based on direct audits of more than 25 contracts and services valued in excess of \$100 million, showed that, if managed properly, outsourcing can be a viable means for achieving efficiency, effectiveness and cost reduction. In addition to providing expertise needed to supplement United Nations personnel, the study found that outsourcing can allow programme managers to concentrate on substantive activities and accomplish the Organization's core functions. The report made numerous observations and recommendations concerning such issues as the need for an Organization-wide outsourcing policy; proficient management of the outsourcing procurement process; standardization of requests for proposals; improved training; better assessment of vendor performance by programme managers; and establishing an outsourcing focal point within the Department of Administration and Management to identify potential areas for outsourcing and to assist in assessing the costs and benefits. Management advised OIOS that it had endorsed the recommendations and had taken action to strengthen the monitoring of vendor performance and to implement a standardized form for requests for proposals.

**OIOS undertook a comprehensive review of outsourcing, covering operations at Headquarters, offices away from Headquarters and selected peacekeeping missions.**

## 3. Air services

60. The OIOS Investigations Section received reports, beginning in the third quarter of 1996, of irregular procurement of aviation services by United Nations staff and of misconduct by an aviation vendor and its broker, involving an attempt to manipulate the procurement process and to provide false or misleading documentation relating to certification, airworthiness and registration of aircraft.

61. After a lengthy and comprehensive investigation, no evidence could be found of improper practices by United Nations staff in the procurement of aviation services, either in missions or in the Secretariat. However, the investigation did find that several vendors were operating in contravention of United Nations and international aviation regulations. It was also determined that the United Nations was occasionally utilizing the services of vendors who had questionable safety and maintenance programmes; in one case, a vendor was found by the International Civil Aviation Organization (ICAO) to have failed to adhere to basic international aviation standards. Another vendor was found to have provided the United Nations with false or misleading documentation relating to the registration, airworthiness and certification of the company in order to obtain United Nations aviation contracts.

**In one case, a vendor was found by ICAO to have failed to adhere to basic international aviation standards.**

62. One vendor was found to have employed various tactics in an effort to secure a commercial advantage in bidding for aviation contracts. The vendor was found to have arranged for unfounded complaints to be lodged against actions taken by United Nations staff in aviation contract matters, which caused unnecessary delays, confusion and mistrust between certain vendors and United

Nations staff. The investigation also found evidence of problems in the processing of vendor invoices. Recommendations were made to assist in the management of United Nations aviation contracts and operations, both at Headquarters and in the missions.

63. Based on the findings, OIOS recommended that the substantive departments involved in aviation matters commence action to remove from the roster of approved vendors those found to have violated United Nations and international aviation regulations. Those departments have notified the vendor of the OIOS findings. The vendor will be given an opportunity to respond further to these issues before a final decision is taken to remove him from the vendor roster.

#### 4. Catering

##### *Catering operations at Headquarters*

64. Pursuant to a request from the General Assembly, OIOS audited the management of catering facilities at Headquarters, which have been operated by a contractor under a profit and loss arrangement since 1986 (A/51/802, annex). Overall, the audit found that although the existing arrangement had helped to avoid financial losses, the Assembly's desire to make catering financially self-supporting had not been fulfilled. The contractor was allowed to retain all the profit without reimbursing the United Nations for the costs of maintaining the catering facilities. Thus the contractor retained a profit of \$12 million between 1986 and 1996 with limited capital investment, while the United Nations subsidized catering operations.

Under the new contract, the contractor will reimburse the United Nations for costs related to catering facilities and equipment and will make substantial capital improvements, while the United Nations will receive a share of a portion of gross sales.

65. The audit also disclosed several other weaknesses in such areas as monitoring operations and contractor performance, health inspections and vendor selection. To address those problems, the report made a series of specific

recommendations, all of which have been implemented in the new 1997 catering contract. Under the new contract, the contractor will reimburse the United Nations for costs related to catering facilities and equipment and will make substantial capital improvements, while the United Nations will receive a share of a portion of gross sales, subject to a minimum of \$500,000 per annum.

##### *Investigations*

66. In August 1996, the Investigations Section received a report that a vendor providing catering services to peacekeeping missions had misappropriated a substantial amount of United Nations equipment. Additional information was obtained by investigators in Nairobi and New York that supported the original report and indicated further that the misappropriated equipment was on board several of the vendor's vessels, which were being held in Mombasa, Kenya. This information was provided to the Kenya Police, who immediately began an investigation. In support of the police investigation, OIOS formed a five-man team with personnel from OIOS, the Field Administration and Logistics Division and the United Nations Office at Nairobi to assist the Kenya Police in identifying and retrieving the United Nations equipment during a logistically difficult, six-week operation in Mombasa. Operating from United Nations databases, with the special knowledge of United Nations equipment of the team members and the necessary logistics expertise provided by the Field Administration and Logistics Division staff assigned to the case, the Kenya Police search of the vendor's vessels produced stolen United Nations equipment, including vehicles and tanktainers, with a conservative valuation of approximately \$400,000.

OIOS provided the Kenya Police with evidence of United Nations ownership of each of the items and detailed statements by each of the team members concerning the identification and recovery of the seized items.

67. The OIOS investigators provided the Kenya Police with evidence of United Nations ownership of each of the items and detailed statements by each of the team members concerning the identification and recovery of the seized items. Following a review of the criminal case by the Director of the Criminal Investigation Division of the

Kenya Police, the case was forwarded to the Attorney-General of Kenya, who has accepted it. Criminal charges have been filed. OIOS has expressed its appreciation to the Director of the Field Administration and Logistics Division for his support and the support of members of his staff who have contributed so significantly to this successful recovery and to the United Nations Office at Nairobi for sharing the expertise of a member of its staff in Nairobi.

68. Pertinent findings from the investigation were also provided to the Office of Legal Affairs to assist in the arbitration case brought by the vendor; while the United Nations acknowledged that some moneys were due to the vendor under the terms of the contract, the vendor's claim of \$30 million far exceeded that amount. Evidence adduced in the course of the investigation was utilized effectively. The final award was less than a third of that claimed.

#### **5. Local committees on contracts of the Office of the United Nations High Commissioner for Refugees**

69. Local committees on contracts are authorized by the Headquarters Committee on Contracts to purchase specified goods and services from local and/or regional suppliers, generally up to a spending limit of \$200,000. An OIOS audit showed that operations of local committees and monitoring by the Headquarters Committee on Contracts needed to be improved further. In one case, a local committee authorized 36 purchases under emergency procedures valued at \$5.3 million without the knowledge of the Headquarters Committee on Contracts. In another case, the local committee continued to operate after the expiry of its authorization since the Headquarters Committee notified local committees whose authority had expired only after the actual expiration date. OIOS recommended improved reporting and monitoring; consideration of temporarily placing a purchasing officer in offices with newly established local committees on contracts; and alerting local committees prior to their expiration date. Remedial action has been taken by UNHCR, and from 1 January 1997, all local committees on contracts have been required to report quarterly to the Headquarters Committee on Contracts.

### **D. Problems in establishing new bodies**

#### **1. General observations**

70. As discussed in last year's report, Member States have relied extensively on the Organization in recent years to help address the new challenges and problems facing the

international community, often requiring the establishment of new bodies. From an oversight perspective, the start-up phase of any new body is risk-prone, given such factors as time pressures, lack of expertise, poor planning and inadequate resource allocations. OIOS continued to give priority audit attention to the establishment of new bodies so that problems could be identified and resolved as soon as possible. As in the previous reporting period, a good deal of OIOS effort in this priority work area focused on the International Tribunals for the Former Yugoslavia and Rwanda.

#### **2. International Tribunal for the Former Yugoslavia**

71. At the request of the General Assembly (resolution 50/212 C), OIOS evaluated the Tribunal's 1997 resource requirements shown in its proposed budget of \$68.7 million, which reflected a \$33.3 million (94 per cent) increase over the 1996 appropriation and an additional 197 posts. The OIOS report (A/51/824, annex) identified at least \$6 million in reductions due to unsubstantiated and duplicated post requests and non-essential expenditure projections. Additional savings of about \$5.5 million could be realized if alternatives to constructing and outfitting a second courtroom (such as running dual sessions in the existing courtroom) were fully considered. Further budget reductions could be achieved by examining potential operational improvements such as outsourcing. The revised budgetary estimates submitted by the Secretary-General incorporated most of the recommendations.

#### **3. International Criminal Tribunal for Rwanda**

**OIOS identified at least \$6 million in reductions due to unsubstantiated and duplicated post requests and non-essential expenditure projections.**

72. In its resolution 50/213 C of 7 June 1996, the General Assembly requested that OIOS conduct a review of the International Criminal Tribunal for Rwanda to identify problems and recommend measures to enhance the efficient utilization of resources and to report those findings to it at its fifty-first session. At the time the resolution was adopted, OIOS had already received several complaints concerning deficiencies and irregularities in operations of the Tribunal. A team of auditors and investigators was sent

to Kigali and Arusha in October and November 1996 to interview senior officials of the Tribunal and other staff members, as well as seconded experts, and to conduct on-site inspections of property and facilities. Additional interviews were conducted with Secretariat officials at Headquarters and with current and former officials of the Tribunal. Since that time some of the major problems have been addressed and remedial action has already been taken in a number of key areas.

73. While the report (A/51/789, annex) did not confirm allegations of corrupt practices, such as nepotism, racism and misuse of funds by managers, it disclosed management errors and serious shortcomings in almost all areas of the Tribunal's work. The situation in Arusha and Kigali was troubled from the inception of the Tribunal, especially by short-term funding arrangements that affected the Tribunal operations and limited the ability to recruit experienced staff; and the decision to have separate geographic locations for the Office of the Prosecutor and the other organs of the Tribunal, which impeded communications between the two locations and contributed to the strained relations between the Office of the Prosecutor and the Registry.

**The review disclosed serious operational deficiencies and mismanagement in virtually all areas of the Tribunal's work.**

74. The team of investigators and auditors found evidence that the administrative support functions did not operate either efficiently or effectively and, in some cases, virtually not at all. Some of the findings from the report include:

- (a) United Nations rules and regulations for procurement, personnel and financial functions were disregarded;
- (b) Finance had no accounting system and could not produce allotment reports, so that neither the Registry nor United Nations Headquarters had budget expenditure information;
- (c) Personnel in key positions did not have the required qualifications;
- (d) In Kigali a lack of delegated authority combined with a severe shortage of vehicles, computers and other law office equipment and supplies hampered the staff in conducting their work.

75. Many of the problems raised could have been avoided had the management of the Registry and the Office of the Prosecutor taken the necessary steps:

- (a) Adhered to the rules, regulations and administrative issuances of the Organization, as well as to standard management practices for instructing and communicating with staff members and others about the goals and timetables of the Tribunal;
- (b) Maintained the separate, specifically assigned authority and responsibilities unique to each organ, in particular between the Registry and the Office of the Prosecutor;
- (c) Developed strategies and mechanisms for achieving those goals and for resolving internal disputes transparently.

76. Much that was accomplished by the Registrar had to be done under difficult circumstances and without the backup needed from Headquarters. OIOS was told repeatedly by Secretariat staff and officials that the Tribunal was not the responsibility of any Secretariat department. Consequently, the Tribunal did not receive needed guidance and assistance.

77. OIOS believes that a misperception, or at least an over-interpretation, of the Security Council's request that the Tribunal be established as an independent body caused this problem. The judicial independence of the Tribunal is unquestioned, but the Tribunal does operate under the authority of and with funding provided by the United Nations and is subject, therefore, to the rules, regulations and administrative oversight of the Organization. When the Organization assumed the responsibility of establishing the Tribunal, it also assumed the responsibility of ensuring that it was able to operate effectively, bearing in mind the purpose of the Tribunal, which is to bring to justice those individuals responsible for the genocide and other systematic, widespread and flagrant violations of international humanitarian laws committed in Rwanda and neighbouring States.

78. In February, the Secretary-General convoked a meeting of high-level Tribunal and Secretariat officials to discuss the OIOS report and formulated measures to address the situation, including the appointment of new administrators.

79. An OIOS team of auditors and investigators was scheduled to visit Arusha and Kigali in September 1997 to verify the progress being made on the recommendations in the report.

#### **4. United Nations Special Coordinator for the Occupied Territories**

80. An audit of the Office of the Special Coordinator for the Occupied Territories disclosed that while the coordination and substantive objectives of the Office had generally been achieved, there was a need to formalize an agreement with the Palestinian Authority in order to provide a legal framework for its operations. There was also a need for the Office to obtain an exemption from value added taxes on goods and services purchased in the occupied territories. Management agreed with the OIOS recommendations in those areas and has initiated action to formalize agreements with the Palestinian Authority. OIOS also recommended and management agreed that the Office should review organizational arrangements for the provision of administrative support; increase control over approval of staff overtime, official travel and use of vehicles; better organize and plan for office premises; and avoid duplicating functions carried out by other United Nations agencies.

#### **5. International Seabed Authority**

81. An audit of the expenditures of the International Seabed Authority funded by the United Nations in accordance with General Assembly resolution 48/263 of

28 July 1994 was conducted in November and December 1996. The audit did not disclose major problems, although improvement is needed in such areas as the consolidation of expenditures and timely recruitment of staff.

#### **6. Secretariat of the Convention on Biological Diversity**

82. An audit of the secretariat, which was established in Montreal, Canada, in February 1996, showed significant management problems in all areas reviewed with regard to establishing administrative functions. Major efforts will be needed to correct the situation. Administrative and financial procedures were often not in compliance with United Nations rules and regulations and internal controls were weak. Concerning financial management, for example, the audit showed that fund-raising capacities should be strengthened and that improvements were needed in cash management. Improvements were called for in procurement, where United Nations rules were not followed, and in travel, where procedures had not been established and where some trips were not adequately justified. OIOS also sees potential for improvement by sharing certain administrative services with other local United Nations organizations.

### III

## Summary of major activities by oversight function

### A. Audit and management consulting

#### 1. Overall developments

83. During the reporting period, the audits conducted by the Audit and Management Consulting Division covered the activities of the Secretariat, including peacekeeping missions, technical cooperation projects and United Nations information centres; the United Nations Offices at Geneva, Nairobi and Vienna; the Economic Commissions for Africa (ECA) and for Latin America and the Caribbean (ECLAC); and the Economic and Social Commissions for Asia and the Pacific (ESCAP) and for Western Asia (ESCWA); the United Nations Environment Programme (UNEP) and selected convention secretariats; the United Nations Centre for Human Settlements (Habitat); UNHCR; the International Trade Centre UNCTAD/WTO; and the International Tribunals for the Former Yugoslavia and for Rwanda.

**The Division audited assets of \$402 million, income of \$153 million and expenditures totalling \$1.8 billion.**

84. During the period, the Division audited assets of \$402 million, income of \$153 million and expenditures totalling \$1.8 billion. Those audits identified about \$28 million in potential savings. Almost \$16 million in savings and recoveries were realized from actions recommended by the Division in this and prior periods. OIOS continued to use a conservative approach to estimating cost savings. Closely monitoring the implementation of recommendations has helped to increase actual recoveries.

85. During the period, the Audit and Management Consulting Division opened 162 audit assignments, as follows:

|                                           |            |
|-------------------------------------------|------------|
| Headquarters Section                      | 13         |
| Peacekeeping Section                      | 39         |
| Field Section                             | 28         |
| Electronic Data-Processing Audit Section  | 5          |
| Management Audit and Consulting Section   | 10         |
| European Section                          | 15         |
| African Section                           | 24         |
| OIOS/UNHCR Audit Section                  | 28         |
| <b>Total number of opened assignments</b> | <b>162</b> |

86. The audits resulted in 66 audit reports addressed to senior management. In addition, numerous audit observations and other communications were issued. The audit reports contained a total of 811 recommendations. It must be emphasized that OIOS has made a policy decision to focus its monitoring activities on those recommendations contained in audit reports. Unlike that contained in last year's report, the figure shown does not include the recommendations contained in audit observations issued by individual auditors. (Recommendations made in all types of audit communications totalled 2,200 during the current reporting period.)

87. The 811 key recommendations contained in audit reports can be categorized by the following objectives:

|                                                 |            |
|-------------------------------------------------|------------|
| Compliance with rules, regulations and policies | 241        |
| Economic and efficient use of resources         | 237        |
| Protection of assets                            | 123        |
| Adequacy of internal controls                   | 112        |
| Achievement of objectives                       | 98         |
| <b>Total recommendations</b>                    | <b>811</b> |

Recommendations were made in the following functional areas:

|                                |            |
|--------------------------------|------------|
| Programme/project management   | 150        |
| Procurement                    | 157        |
| Property management            | 133        |
| Cash management                | 30         |
| Information systems            | 41         |
| Financial accounting/reporting | 121        |
| Personnel/payroll/travel       | 179        |
| <b>Total recommendations</b>   | <b>811</b> |

88. The Division began the period in July 1996 with a vacancy rate of about 15 per cent. As at 30 June 1997, the Division had filled 50 of its 56 Professional posts, reflecting a vacancy rate of about 11 per cent. Women held 15, or 30 per cent, of the 50 encumbered Professional posts as at that date, including two section chief positions.

89. To maximize the use of training funds, the Division contracted with a public service entity to provide generic and customized audit training for New York and Geneva staff on a wide range of topics, including prevention of fraud, activity-based costing, interviewing techniques, risk assessment, auditing computer-based data and performance auditing. Audit staff also received in-house training through developing and analysing case studies on various United Nations audit issues, by inviting experts from other audit organizations to present training programmes and by asking managers from various United Nations departments to provide overviews of their department's mission and operations, which provides a client's perspective on how the auditors can better serve client needs. Finally, Division staff attended conferences and seminars sponsored by various professional organizations.

## 2. Significant findings and recommendations

### *Committee on Missing Persons*

90. The Committee on Missing Persons was created by the General Assembly in 1981 to determine the fate of Greek-Cypriot and Turkish-Cypriot persons missing in the intercommunal fighting. An OIOS audit showed that although the Committee had been operating for over 12 years, it had not achieved any of its overall objectives. Of the almost 2,000 cases of missing persons listed by both parties, not one had been reviewed at the time of the audit,

primarily because of continuing disagreements between the parties concerning such matters as the basis for concluding cases. Subsequent to the OIOS audit, talks between the two Cypriot leaders recently produced an agreement on the issue of missing persons. In view of that agreement, OIOS understands that abandoning the Committee on Missing Persons at the present time could send the wrong message to the parties involved. However, OIOS will follow up to determine whether the new agreement results in the expected progress in the operations of the Committee.

### *Regional commissions*

91. Audit coverage of the regional commissions was extensive during the period, with audits conducted at four commissions and one subregional office. At ECLAC, there was a potential for better project selection arrangements and improved project monitoring and evaluation. At the ECLAC Subregional Office in Mexico, the auditors found inadequate monitoring of subprogramme implementation; overbudgeting; inadequate compensation of costs incurred in providing administrative support to UNEP (including the absence of a formal agreement concerning the scope, terms and conditions of such support). There were also several other problems, including delays in establishing a new contract for travel agency services and non-recovery of rent overpayments. OIOS was informed that appropriate remedial action had been initiated or taken.

92. At ESCWA, certain administrative and financial procedures needed strengthening. The audit also disclosed that the move from Amman to new headquarters in Beirut needed to be better planned and organized. At the time of the audit, the resources required for the move, estimated at over \$4 million, had not yet been secured. During a previous move, about \$3.6 million continued to be spent on salaries and other costs to maintain premises in Baghdad, after the headquarters had been transferred to Amman, owing to delays in finalizing the negotiations with the Government of Iraq.

93. The audit of ECA showed that major improvements were needed in all areas reviewed to strengthen internal controls and ensure compliance with rules and regulations. The audit disclosed that bank reconciliations were not done on a timely basis; adjusted accounts receivable from vendors exceeded \$500,000, some dating back to the 1980s; more than \$650,000 in accounts receivable from staff members was outstanding; the procurement plan was outdated; and procurement functions were not adequately segregated. Other major problems included inadequate security and a lack of adequate resources applied to protecting the \$100 million investment made in the recently

completed United Nations Conference Centre. OIOS was informed that ECA had adopted a plan of action to strengthen its financial and administrative management and that a number of measures had already been taken to implement the audit recommendations.

**At ESCAP there was little congruence between programmatic and organizational structures and no correlation between budgets and financial statements.**

94. At ESCAP the auditors identified a series of management and internal control weaknesses. There was little congruence between programmatic and organizational structures and no correlation between budgets and financial statements; it was therefore difficult to assess each subprogramme's performance, since the related activities were handled by a number of organizational units. While the budget submission for ESCAP had been prepared on the basis of a multisectoral approach, the accounts structure continued to follow the sectoral approach. Financial results of subprogramme implementation were therefore unknown. The audit also indicated a need to reorganize the ESCAP secretariat by reducing, *inter alia*, the number of substantive divisions; to avoid duplicating the activities of other United Nations agencies; to strengthen monitoring of programme performance; and to organize self-evaluation of project and programme outputs. Several other problems relating to rental charges, rental subsidies and procurement were also disclosed. OIOS was informed that the Executive Secretary had commenced the necessary action to reorganize the ESCAP secretariat and that remedial action with regard to the other issues had been either taken or initiated.

#### *United Nations Environment Programme*

95. An audit showed that the UNEP Regional Coordination Unit for the Caribbean was neither well organized nor well managed. The audit identified serious problems such as poor programme management, inadequate programme leadership, late project approval, duplication with other agencies and excessive travel by Unit officials. The auditors recommended several steps, including significantly improved programme and fund management; streamlined project approval procedures; improved consultation arrangements to avoid duplication; and ensuring that travel was fully justified and planned so as to

minimize the impact on operations. Management has advised that most of the recommendations have been implemented.

**The UNEP Regional Coordination Unit for the Caribbean was neither well organized nor well managed.**

96. An audit of the secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) revealed a commendable improvement in financial and administrative matters discussed in a previous audit report. However, several matters still required corrective action, including better defined organizational guidelines, strengthened project and financial management reporting systems and development of an integrated accounting system.

#### *Department of Public Information*

97. OIOS conducted several audits of Department operations during the reporting period. An audit of the relocation of the United Nations Information Centre in London showed that although the move served the purpose of a unified United Nations presence in the country and appeared to be justified, there were some procedural shortcomings, such as delays in concluding the new lease, which had resulted in unnecessary rental costs of about \$24,000, and failure to confine expenditures within the allotment. Further, virtually all of the major activities associated with the move, including negotiations with the landlord, had been conducted entirely by the Director of the Information Centre, without a specific delegation of authority.

98. OIOS conducted audits of the sales of publications operations and of the United Nations Bookshop, both of which operations had been transferred from the Department of Administration and Management to the Department of Public Information in September 1995. Regarding the sale of United Nations publications, the audit disclosed serious internal control weaknesses, including inadequate supporting documentation for sales, expenditure and inventory, which precluded the auditors from ascertaining the validity of financial data. Other problems included unauthorized procurements, inappropriate accounting and inventory methods, inadequate safeguarding of assets and failure to ensure compliance with United Nations rules. The

audit concluded that, when fully costed, the sale of publications failed to generate any profit.

99. Regarding the United Nations Bookshop, the audit disclosed a wide range of problems, including inappropriate accounting and inventory control systems, which made it virtually impossible to analyse financial results; overstaffing; numerous accounting errors; and internal control weaknesses. In addition, the auditors found that the contractor's role was actually limited to providing staff, with guaranteed reimbursement of all staff costs and a management fee, while the United Nations bore the full financial risk of the operation. The report recommended specific corrective actions on the matters outlined above and urged the Department of Public Information to consider fully outsourcing Bookshop operations.

*Department of Development Support and  
Management Services*

100. An OIOS audit showed that deficiencies previously identified by the Board of Auditors in 1994 concerning the recruitment of project experts and consultants generally persisted. The auditors found that the computerized roster of candidates had not been updated and that of a sample of 37 experts and consultants recruited, 30 had not appeared in the roster. There continued to be "rush recruitments", which were noted in 83 per cent of the cases, and in 36 of the 37 recruitment actions tested only one candidate had been considered. This absence of competition raised questions as to whether value for money had been obtained. In addition, candidate credentials had not been independently verified and recruitment functions were not segregated from the Department's substantive activities. Other findings included continued recruitment from a narrow geographical base with apparently no attempt to diversify recruitment sources as prescribed by existing policies, finalization of special service agreements during or even after the consultancy in many cases and high consultancy fees. The Department agreed to take most of the remedial actions recommended and is working with the Department of Administration and Management in preparing detailed guidelines for the recruitment and use of consultants.

**Deficiencies previously identified by the Board of Auditors in 1994 concerning the recruitment of experts and consultants generally persisted.**

*Integrated Management Information System*

101. The Electronic Data-Processing Audit Section of the Audit and Management Consulting Division continued to review the design, construction, testing, data conversion and implementation of various Integrated Management Information System (IMIS) components at Headquarters and at offices away from Headquarters. A primary focus of such audits is to ensure that IMIS conforms with data-processing and audit standards for information systems and that adequate internal controls are built into the system. The Division is also focusing on the IMIS implementation process to ensure that every effort is made to implement the system in an efficient and timely manner.

102. A review of IMIS security showed that technical security provisions needed enhancement and that the Organization needed to formulate a security policy, implement procedures to monitor IMIS security and enforce security standards. An audit of IMIS budget and project performance during the biennium 1994-1995 identified various positive achievements made by the Department of Administration and Management in implementing the new system. OIOS expects that IMIS will provide significant improvements and efficiencies when fully implemented. However, the audit also found that IMIS had not been satisfactorily institutionalized within the Organization; the allocation of human resources to implementing IMIS and to performing user tasks was untimely and sometimes inadequate; and steering committee monitoring actions and modalities needed to be improved. Management concurred with the need to further refine and enhance security provisions and policy and pointed out that IMIS supported the initiatives aimed at decentralization and delegation of authority, for example, by separating actions required for a given administrative process from the authority to perform the given actions (preparation/approval).

**A review of IMIS security showed that technical security provisions needed enhancement.**

*Travel*

103. The Division conducted a comprehensive management audit of United Nations travel, including selected entitlements, re-engineering and process issues, contractor performance, the lump-sum option and the impact of IMIS implementation on travel. The report acknowledges the

difficulty of managing the travel function in a large, complex international organization like the United Nations and identifies several potential improvements. These include development of better travel cost information; issuance of a clear and concise travel manual; improvements in processing travel requests and claims; clarifying and/or restricting certain travel entitlements, such as stopovers; and more systematic pursuit of assistance from the contractor. The report also made several recommendations concerning the lump-sum option, including administrative improvements and reduction of the lump-sum rate from 75 to 65 per cent.

#### *Telecommunications*

104. Audits of the use of telecommunications at the United Nations Office at Nairobi, the United Nations Centre for Human Settlements (Habitat) and UNEP disclosed a number of management, financial and internal control weaknesses. At the United Nations Office at Nairobi, the audit identified improvements needed in the reimbursement for personal use of telephones and faxes, and in the reimbursement of telecommunications costs by other United Nations agencies and contractors. The auditors also recommended improved telecommunications equipment inventory controls and analyses to determine if lines were fully utilized. At Habitat major improvements were needed in such areas as settling and collecting outstanding charges and in establishing controls over telecommunications lines. At the time of the audit, Habitat and the United Nations Office at Nairobi (which had assumed responsibility for telecommunications in January 1996) had more than \$1 million in outstanding receivables from various agencies and contractors, which was subsequently reduced to \$417,000. Further, Habitat had since October 1994 accumulated outstanding telecommunications bills totalling almost \$900,000. While the United Nations Office at Nairobi eventually paid the telephone company in January 1997, the amount has yet to be settled between the Office and Habitat. At UNEP certain internal controls needed to be strengthened and UNEP has agreed to adopt procedures to be recommended by the United Nations Office at Nairobi in that area. In addition, a substantial value added tax refund should be followed up or written off, if uncollectable.

#### *United Nations Joint Staff Pension Fund*

**An audit of the Fund identified overpayments of more than \$400,000; to date almost \$100,000 has been recovered.**

105. During the reporting period, the Division fully assumed the internal audit function for the United Nations Joint Staff Pension Fund. The audit services are primarily intended to assist Fund management in maintaining sound internal controls to ensure efficient operations. As part of a comprehensive audit of the Fund's secretariat, the Division has reviewed the Fund's system to verify continued beneficiary entitlement. The audit identified 11 cases of overpayment totalling more than \$400,000 resulting from the non-reporting of death of beneficiaries. To date almost \$100,000 has been recovered. Three of the cases involve presumptive fraud by survivors of deceased beneficiaries. The Fund is pursuing all possible avenues for recovery of the still outstanding overpayments. The Division also assisted in selecting an outside firm to undertake a comprehensive audit of the Fund's investment activities.

#### *United Nations International Drug Control Programme*

106. Based upon an agreement between OIOS and the United Nations International Drug Control Programme, the Division audited projects of the Programme in Brazil, Jamaica, Kenya, Pakistan and West Africa. The audits showed the need to strengthen the accounting and financial management capacities of implementing partners. The audit of a project to prevent drug abuse and HIV infection in Brazil disclosed that there were delays in project implementation and that the applicability of United Nations regulations and rules needed to be clarified for projects funded through cost-sharing arrangements. The audit in Pakistan revealed the need to strengthen project management reporting procedures, the financial system and controls over accounting records and reports. The audit in West Africa identified internal control weaknesses in communications, property control and procurement, and recommended that clearer guidelines be established for monitoring the substantive aspects of the operations of national bodies.

### 3. Status of ongoing audits requested by the General Assembly

107. Pursuant to General Assembly resolution 51/221 B of 18 December 1996, the Division conducted an audit of the use of consultants and associated contractual procedures. The audit's specific objectives included reviewing hiring practices and the use of consultants throughout the global secretariat and evaluating their adequacy in ensuring compliance with relevant General Assembly resolutions. The audit covered special service agreements relating to consultants and individual contractors and included both regular budget and extrabudgetary resources. Major findings and recommendations will be reported to the Assembly at its fifty-second session.

## B. Investigation

### 1. General developments

108. Significant changes in the sources and types of cases received by the Investigations Section were noted during the reporting period: heads of offices, departments and funds and programmes have requested investigative assistance; serious cases of broader scope and greater complexity have been received; and four major cases have been provided to law enforcement authorities. During the reporting period, the Investigations Section received 172 reports and suggestions as provided for in ST/SGB/273 (paras. 16-18), compared with 205 last year. The difference is due to the decrease in the number of personnel grievances received; while a few personnel matters are still being sent to OIOS, the message that OIOS has not been established to provide yet another layer of review of personnel issues has been accepted.

109. The geographical distribution of the caseload of 172 reports and suggestions is as follows: 69 in the Americas, inclusive of Headquarters; 49 in Europe; 44 in Africa; 6 in Asia; and 4 in the Middle East. Of these, a total of 43 reports were received concerning the operational funds and programmes, including 17 reports in Europe and 22 in Africa. Of the 27 reports received from anonymous sources, 8 were received through the Hotline facilities.

110. Member States have expressed concern about two issues connected to the ability of staff members and others, as provided for in ST/SGB/273 (paras. 16-18), to make reports or suggestions to OIOS: firstly, reports that are known to be false by staff members who seek to use the Office to retaliate against others with whom they have

differences; and secondly, retaliation against staff members who file complaints or suggestions with OIOS.

111. While the Investigations Section receives and carefully considers all reports from staff members and others who wish to make complaints of violations of United Nations rules, regulations and administrative issuances, paragraph 18 (e) of ST/SGB/273 provides a caution:

"The transmittal of suggestions or reports to the Office with knowledge of their falsity or with wilful disregard of their truth or falsity shall constitute misconduct, for which disciplinary measures may be imposed."

To date only one complaint — from a vendor — was shown to be such a report and the Section has recommended to the responsible programme managers that action be taken against the vendor. On the second issue, paragraph 18 (f) provides for disciplinary action to be taken against those who seek to retaliate against staff members who provide information to the Office. Thus, the mandate provides specific protection against retaliation for cooperation provided to OIOS. To date, OIOS has found and reported on one case of retaliation; disciplinary action is pending.

112. In the course of the reporting period, the Section investigated 33 reports that were found to be bona fide but which resulted in the allegations not being proved for lack of sufficient evidence. Consequently, the individuals who were accused in those cases were cleared.

113. In 1996, the focus was on clearing the backlog of cases; this year the focus has been on rapid response to serious cases and requests for assistance on matters of substantial organizational impact. During the reporting period 23 reports were issued to programme managers, an increase of 65 per cent.

114. Increasingly, the Investigations Section is being requested by offices, departments, funds and programmes to undertake investigations on their behalf. In addition, the Section has been called upon by offices and departments, as well as the operational funds and programmes and even the specialized agencies, to provide advice and consultation on problems and investigative issues in their offices. Six of the funds and programmes have requested investigative assistance during the period, some more than once. Of the four completed matters that involved criminal activity, all were accepted by the law enforcement officials of the relevant jurisdiction with a view to undertaking criminal prosecutions.

115. In addition, the Investigations Section has made an effort to provide ongoing advice and assistance, both during and at the completion of reporting processes. During each case, where permissible, OIOS investigators advise the

head of office or mission that an inquiry is being conducted; in field assignments, at the completion of field work, a review of preliminary findings is given as the requirements of the inquiry permit. For missions, United Nations offices away from Headquarters and at Headquarters, the Section has renewed its efforts to resolve issues with the heads of offices and departments in order to be an effective agent of change. The Section has learned from its experiences that effective change comes not only from identifying problems and making recommendations, but also from working towards agreement with the heads of offices and missions.

116. For the five posts approved by the General Assembly for the biennium 1996-1997, recruitment efforts are under way that are being closely coordinated with OHRM. With these additions, the Section will have 13 staff members at Headquarters and 2 staff members at the United Nations Office at Nairobi.

117. In order to meet the needs of the Organization better and to provide an efficient and economical means of conducting investigations away from Headquarters, two investigative officers have been outposted to the United Nations Office at Nairobi. This has enabled OIOS to make investigative expertise available to United Nations offices in Africa. In addition, by establishing an investigative capacity where the African Section of the Audit and Management Consulting Division is established, joint projects can be better coordinated and office expenses minimized. The senior of the two investigative officers at the United Nations Office at Nairobi has directed or participated in significant cases for the Section, including two described in this report, the review of the Rwanda Tribunal (see paras. 72-79), and the investigation of the theft of United Nations equipment by a vendor (see paras. 66-68). It is anticipated that with the new staff recruited, OIOS will be able to rotate staff between the two duty stations.

118. In the first meetings after the appointment of the Under-Secretary-General for Internal Oversight Services, requests were received from the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions for greater clarity as regards the role and terms of reference of the Investigations Section. In response to those requests, two documents were issued. On 25 April 1996, the terms of reference were published in an administrative instruction (ST/IC/1996/29), which provided guidance on terms used in investigative procedures, such as "mismanagement", "misconduct", "waste of resources" and "abuse of authority". An Investigations Section manual has now also been issued in French and English. It was

designed to provide the United Nations community with information on the protocols, procedures and policies followed in the conduct of investigations. With proper regard for due process and the rights and interests of the United Nations, as well as those of staff members, the Section has sought to provide clear statements on the methods of conducting investigations. The manual is available in hard copy from the Section and on the Intranet.

## 2. Two cases

119. In addition to the investigative activity described above (paras. 39, 50-52, 60-63, 66-68 and 72-79), two additional cases of note were reported during the period.

### *United Nations Centre for Human Settlements (Habitat)*

120. Following an inspection of the United Nations Centre for Human Settlements (Habitat) conducted by the Central Monitoring and Inspection Unit (see paras. 133-136), the Section investigated three allegations noted in the Unit's report (A/51/884, annex). Firstly, a conflict of interest by a Habitat staff member; secondly, a lack of management response to the conflict of interest; and thirdly, a claim of retaliation against another staff member for having raised the issue in February 1994. (The latter claim of retaliation was not substantiated by the evidence.) The conflict issue centred on actions during 1991-1993 by a staff member whose spouse was an external consultant to Habitat and who had initiated, certified and evaluated projects undertaken by her husband and his firm for Habitat. The issue was first raised in November 1991. Management actions at the time were thought to have resolved the matter. However, as a result of concerns raised by staff involved in reviewing such contracts in Habitat, another management decision was taken in September 1993 that removed the staff member and her unit from contracts with the spouse or his firm. That decision was reasonable and did resolve the problem from that date forward. However, as a result of rumours and misinformation, the conflict questions did not abate. The investigators found that the discrepancy between the appearance of a conflict of interest and what was technically acceptable under the existing United Nations provisions also contributed to the continuing discussion of the issue for four years after the date, September 1993, when the actual problem was resolved by Habitat management.

121. After a detailed scrutiny of the pertinent United Nations staff rules and discussion with staff of the Office of Legal Affairs, OIOS determined that the current United

Nations staff rule on conflict of interest pertained to staff members, not spouses, who hold financial interests or are engaged in actively managing external companies with which the United Nations does business. Therefore, even though the staff member was married to the consultant whose work she was evaluating and certifying for payment, the current United Nations staff rules provide recourse for the Organization only where the staff member demonstrates an active participation in the management or financial holdings of an external company. The rule as written clearly did not satisfactorily protect the Organization in such circumstances. The Office of Legal Affairs and Habitat have accepted the OIOS recommendations and have provided information to OIOS on the status of implementation of those recommendations. A letter from Habitat management has been signed by the staff member in question and clearly separates the staff member from any future involvement with the consulting company that employs her spouse. Habitat has also commenced consultations with the Office of Legal Affairs with regard to the legal issues relating to future contractual relationships between Habitat and the consulting company.

122. On the subject of strengthening current United Nations provisions relating to conflict of interest, the Office of Legal Affairs has prepared, and the Staff-Management Coordination Committee has adopted, an amendment to the new draft Code of Conduct that will address the deficiency in the current rule and has been approved by the Secretary-General. The new Code is currently awaiting ratification by the General Assembly.

### UNCTAD

123. The Investigations Section received a report in June 1996 from the Director of Administration for the United Nations Office at Geneva that a senior staff member of UNCTAD may have submitted a false miscellaneous obligation document in April 1996 in order to claim several thousand dollars. The scheme had first come to notice a few days earlier when two UNCTAD General Service staff were asked by the staff member to prepare related documents while he was on leave. They noted that the request was unusual and, upon further examination, observed serious irregularities. After making the discovery, they reported the matter to their supervisors and to the Secretary-General of UNCTAD, who launched a preliminary inquiry.

124. Following notification by UNCTAD, the administration of the United Nations Office at Geneva re-examined other miscellaneous obligations documents and payment vouchers submitted by the staff member. It

appeared at that time that as much as \$200,000 might have been claimed fraudulently by the staff member. OIOS commenced an investigation in July 1996 and the investigators uncovered a complex scheme by the staff member to defraud the United Nations. Based on available documentation and testimony received, the evidence indicated that the staff member, utilizing authority delegated to him as a senior member of staff, had been submitting false miscellaneous obligation document and payment vouchers for several years and appeared to have embezzled considerable sums of project funds. Moreover, using his delegated powers, he submitted additional false documents to hide the thefts.

125. In July 1996, the United Nations Office at Geneva made a criminal complaint to the Swiss authorities, who arrested the staff member pending investigation. The staff member, who accepted the evidence presented to the investigating magistrate by OIOS, was summarily dismissed. On 9 April 1997, the staff member signed a *Convention de remboursement* by which he formally admitted owing the United Nations a total amount of SwF 731,645 (US\$ 609,704) and agreed to liquidate his entire assets, including the lump sum of his pension entitlements, in order to make restitution to the United Nations to the extent his assets made that possible. The United Nations has been able to recover approximately \$350,000. After spending nine months in detention, the former staff member was released pending trial. The United Nations Office at Geneva has been admitted as a civil party. OIOS investigators and United Nations Office at Geneva administrators assisted the Prosecutor at trial by presenting evidence confirming the thefts. The Swiss three-judge court ruled the defendant guilty, as admitted, of the thefts. The sentence of 18 months' incarceration was suspended since the defendant had already served 9 months. The court further directed that the staff member pay the balance due to the United Nations from his thefts and be prohibited from entering Switzerland for 10 years.

## C. Inspection

### 1. New inspections

126. In keeping with its mandate for oversight as set out in General Assembly resolution 48/218 B, OIOS conducted inspection reviews of the secretariats of UNEP (including the United Nations Office at Nairobi), Habitat and ITC. Reports on these investigations were submitted to the General Assembly in documents A/51/810, A/51/884 and

A/51/933, respectively. A summary of the main findings of the reports follows.

**The basic issue facing UNEP concerns its role following the United Nations Conference on Environment and Development. It is not clear to staff or to stakeholders what that role should be.**

*United Nations Environment Programme and United Nations Office at Nairobi*

127. The basic issue facing UNEP concerns its role following the United Nations Conference on Environment and Development. It is not clear to staff or to stakeholders what that role should be. Therefore, management's first responsibility should be to bring a focus to this new role, anchoring it to fewer priorities so as to increase the organization's effectiveness and its potential for impact.

128. The OIOS report (A/51/810, annex) points to the need for exploring the complementarities between the work of UNEP and that of the United Nations Conference on Trade and Development (UNCTAD) and the Department for Policy Coordination and Sustainable Development. It also highlights the relationship between UNEP and the environmental conventions, in particular those which have been adopted since UNCED, and suggests that such a relationship presents potential for a revival of UNEP's strategic role in guiding progress on the global environmental agenda. This potential has yet to be fully explored and exploited by the UNEP management.

**The structure of the UNEP secretariat does not provide an adequate framework for streamlining its activities in an efficient and effective manner.**

129. In terms of organizational and managerial issues, the findings suggest that the structure of the UNEP secretariat does not provide an adequate framework for streamlining its activities in an efficient and effective manner. Thus, the functional responsibilities of various departments are not entirely clear and there seems to be no clear delegation of authority. As for the internal instruments for collective

guidance, they are cumbersome, dilute responsibility and impede efficiency. Furthermore, there is no coherent and comprehensive programme budget presentation of the organization's global involvement in environmental matters. The report also notes that UNEP's monitoring of implementation and assessment of results is fragmented.

130. With respect to the efficiency of resource utilization, the report concludes that the current administrative arrangements in UNEP are potentially wasteful of scarce resources through, *inter alia*, the excessive use of consultants/advisers with questionable value added; the establishment of higher-grade posts, which has resulted in a top-heavy secretariat, and the filling of those posts with incumbents whose suitability is not always clear; and the general weakness and dispersal of the mechanism to control disbursements.

131. The report acknowledges that the problems of UNEP have been aggravated by the limited capabilities of the newly established United Nations Office at Nairobi as a provider of common services in support of UNEP. To a large extent, this is attributed to the Office's overdependence on voluntary (extrabudgetary) funding and to the composition of its staff, which, in some respects, is insufficient in numbers and quality. The report concludes that the Office does not have the capacity to discharge its responsibilities adequately and that unless certain fundamental issues are resolved, the likelihood of alleviating the capacity problem is small.

132. Following the issuance of the report, the management of UNEP initiated a number of measures aimed at addressing the OIOS recommendations, namely, those relating to the structure of the secretariat and its top-heaviness, the hiring and management of consultants, relations with the environment conventions and the comprehensiveness of the programme budget presentation.

*United Nations Centre for Human Settlements (Habitat)*

133. The OIOS report (A/51/884, annex) identifies significant shortcomings in the management of the programmes and resources of the Centre, both human and financial. The findings suggest that the organizational structure reflects unnecessary duplications in functional responsibilities, creating confusion and blurring accountability, with little indication that the programme of work is coordinated and integrated. In that regard, the report points out that linkages between research and technical cooperation are not adequate and that there are very few examples of cross-divisional cooperation in

producing outputs. The report also suggests that there is no effective system for monitoring implementation, assessing results or providing feedback to upper management. The problem is compounded by limited oversight from the specialized intergovernmental body, the Commission for Human Settlements, which convenes only once every two years.

**The OIOS report identifies significant shortcomings in the management of the programmes and resources of Habitat, both human and financial.**

134. Internal instruments to provide collective guidance to management are absent and there is a lack of horizontal and vertical communication between the key actors responsible for programme delivery and resource utilization. There is little indication that policy issues are discussed. As for decisions relating to personnel and financial matters, they appear to be shaped behind closed doors and lack transparency. In that regard, the report refers to the weakness of the internal control system over resources. The lack of commitment on the part of management to the internal control process is reflected in the placement and the promotion of staff, the control of the staffing table, and the award of contracts.

135. The report suggests an environment that does not facilitate efficiency and effectiveness. Such an environment is largely responsible for moving the Centre's financial position into a deficit in both the Foundation and overhead accounts, affecting adversely the programme of work and the confidence of donors. It has also contributed to creating low morale in the secretariat, which has a good number of well-qualified and motivated staff who can produce work of real significance to a wide range of clients and stakeholders. The report concludes that the situation of Habitat is serious and should not be allowed to continue.

136. Following the Secretary-General's endorsement of the recommendations contained in the inspection report, the management of Habitat developed a plan of action for the revitalization of the Centre. The plan, which was distributed in July 1997 to the Permanent Representatives to the United Nations Office at Nairobi, relates to programmatic and coordination matters, the restructuring of the Secretariat and issues of financial and staff management and administration. The Department of Administration and Management has decided to dispatch a management mission

to Nairobi. The tasks of the mission will include the preparation of the delegation of authority to the United Nations Office at Nairobi, the assessment of progress in consolidating financial authority and the strengthening of and improvements in personnel management at Habitat.

#### *International Trade Centre UNCTAD/WTO*

137. The inspection's findings (see A/51/933, annex) suggest that ITC's transition to becoming an effective and focused instrument for the promotion of expanded world trade has begun after a long period in which no direction was exercised. They also suggest that the process is only now beginning to have an effect and that it will need to be pursued with persistence and firmness by management and ITC stakeholders if ITC is to fulfil its role. In that regard, the report recognizes that much useful work has been done and a lot of candid introspection has taken place over the past two years. However, it points out that those efforts had not yet developed at the time of the inspection into a house-wide comprehensive strategy and an articulated work plan. It also points out that the role of ITC in promoting the objectives of its parent organizations (UNCTAD and WTO) and their role in the formulation of ITC programmes need to be further clarified.

**ITC's transition to becoming an effective and focused instrument for the promotion of expanded world trade has begun after a long period in which no direction was exercised.**

138. The inspection found fragmentation at the levels of formulating programmes, monitoring their implementation and assessing their results, and suggests that the mechanism for promotion of coordination, coherence, complementarities and the optimization of resource utilization within ITC, as well as between ITC and its parent organizations, needs to be strengthened. Reference is also made to the lack of a systematic approach for tracking progress in delivery and evaluating achievements. Such a situation is further aggravated by insufficient external oversight over the Centre's work by its parent organizations and intergovernmental bodies.

139. Regarding the newly introduced organizational changes, the findings suggest that the definitions of responsibility, authority and accountability of the sections and units under the main divisions are not clear.

Furthermore, inter-divisional responsibilities are vague and delegation of authority empowering senior officers and programme managers is lacking. As for the role of the Corporate Strategy and Quality Assurance Section, the report acknowledges its potential as a valuable management instrument. However, the Section appears to suffer from flaws either in concept or in implementation or both.

140. The report dwells on the managerial role played by the existing instruments designed to provide collective guidance and advice to management and considers them to be cumbersome, to cause delays where promptness is required and to dilute responsibility. It also dwells on the internal control system and identifies weaknesses in staffing table control as well as in the system of control over the utilization of consultants and experts.

141. On the question of staffing, the report suggests that the percentage of staff resources engaged in administrative functions appears to be too large for a small organization confronted with shrinking resources for project implementation. It also suggests that the organization's skill profile has not kept pace with the evolution of world trade.

## 2. Follow-up inspection reviews

142. Within the framework of OIOS responsibility to monitor the progress achieved in addressing the recommendations emanating from its oversight activities, the Under-Secretary-General for Internal Oversight Services decided to revisit those departments which had been subject to inspection reviews two to three years earlier. The purpose of the follow-up was to ascertain that the action taken by management in compliance with OIOS recommendations clearly addressed the problems that were identified in the inspection reports. UNCTAD, the Centre for Human Rights and ECE were visited in April 1997 and ESCWA in June/July 1997. The action of management in those departments was assessed against a set of benchmarks that determine qualitatively the degree of compliance with respect to each of the recommendations made by OIOS. A summary of the results of those reviews follows.

**The action of management in those departments was assessed against a set of benchmarks that determine qualitatively the degree of compliance with respect to each of the recommendations made by OIOS.**

## *United Nations Conference on Trade and Development*

143. Management's compliance with the OIOS recommendations reflected in its report (A/50/719, annex) suggests that tangible progress has been made in addressing most recommendations of a strictly programmatic nature. Thus, the role of UNCTAD in the field of development and trade has been clearly articulated and its priorities well defined. Furthermore the intergovernmental machinery has been streamlined and reduced from 12 to 3 bodies.

144. The progress achieved in addressing the recommendations of a managerial and organizational nature is less evident. While the organizational structure has been streamlined and consolidated into fewer divisions as per OIOS recommendations, the functions and responsibilities of those divisions and their components have not yet been defined or documented, nor the organizational linkages and the lines of authority articulated. More important, while the various oversight units dealing with technical cooperation, policy coordination, monitoring and evaluation have been clustered under the Deputy Secretary-General, their respective terms of references remain unclear. This is worrisome because of the need to ensure coherence in policies and to integrate the programme of work in its totality, irrespective of source of funding. An integrated oversight mechanism is an essential instrument in strengthening the executive capabilities of the Secretary-General of UNCTAD in managing the process of change in a rational and coherent manner. It would also play an important role in reconciling various objectives, in shaping strategy and in providing advice to management. Under the circumstances, it appears that many of the recommendations that were intended to address issues of overlap and complementarities with other organizations and of effectiveness of control over programme support and clarity of technical cooperation policy and procedures will have to await the establishment of such a mechanism.

145. On the issues of personnel and administration, efforts are under way to address the various pertinent recommendations. This is true with respect to the redeployment of staff to adjust the skill profile to the requirements of the new structure, the preparation of the corresponding job descriptions, personnel action forms and the establishment of a benchmark system for administrative services. As for the issue of overstaffing, the management of UNCTAD informed OIOS that its proposed programme budget for the biennium 1998-1999 reflected reductions of 12.4 per cent in Professional posts and 11.7 per cent in General Service posts.

**The situation just described suggests that more vigorous efforts are needed to keep up the momentum of the reform process initiated after the ninth session of UNCTAD.**

146. The situation just described suggests that more vigorous efforts are needed to keep up the momentum of the reform process initiated after the ninth session of UNCTAD. In that connection, it should be noted that UNCTAD management is conscious of the matter and is currently engaged in the establishment of a human resource development strategy to enable UNCTAD to strengthen its human resource planning, job design, career development and training.

*Centre for Human Rights*

147. See above, paragraphs 53 to 56.

*Economic Commission for Europe*

148. The status of compliance with OIOS recommendations reflected in its report (A/49/891, annex) suggests that the recommendations of a programmatic nature have been dealt with in part. Their full implementation will be addressed in conjunction with the follow-up action to the Declaration and Plan of Action decided upon by the Commission on the occasion of the fiftieth anniversary of ECE. Thus, management is of the view that the 1998-1999 programme of work will reflect the strengthening of the research capability of the ECE secretariat for global policy analysis and intersectoral studies. Furthermore, the structure of the principal subsidiary organs will be streamlined and the initiatives taken by the various committees and working parties will be reconciled with the priorities and objectives of the work programme as approved by the Commission.

149. In terms of oversight, it was noted that no progress had been made towards the implementation of the pertinent OIOS recommendation. Management attributed the delayed implementation to the freeze on recruitment throughout 1996, which prevented establishing a system of self-monitoring and self-evaluation. ECE management expects an oversight system to be in place in the course of the next biennium. A related issue is that of the role and functions of senior staff in the Office of the Executive Secretary, which still remain unclear. The Secretary of the Commission and Special Assistant continue to be in charge

of a variety of substantive matters as well as having direct administrative responsibilities. In that connection, it was noted that the OIOS recommendations regarding administrative services could not be addressed because of the budget reduction exercise and the corresponding freezing of various posts in the Office of the Executive Secretary, including that of the Chief of the Administrative Unit. A candidate has now been recommended for the post.

150. A demonstrable effort was made towards addressing the OIOS recommendations on introducing greater transparency through sharing information on resources with programme managers. However, little indication is available as to the measures initiated by management to improve on horizontal communications within the secretariat.

151. The above findings suggest that the ECE secretariat continues to operate with little or no systematic approach to tracking progress in implementation and to assessing the results of the work done. Until it establishes such a system, management will not be in a position to strengthen the internal system of accountability or to rationalize the process of resource allocation.

*Economic and Social Commission for Western Asia*

152. The review of ESCWA compliance with the OIOS recommendations (see A/49/891) suggests that tangible improvements have been made towards focusing the programme of work and enhancing its relevance to the objectives and to the needs of member States. Thus, the programme structure was changed from a sectoral approach, which caused dispersion of interrelated activities under 15 subprogrammes, to a thematic approach featuring five thematic subprogrammes serving as an umbrella for linking common objectives. This bolstered cohesiveness in the programme as a whole and created a number of mutually supportive activities the implementation of which was assigned to multidisciplinary task forces. As a result of that approach, the number of activities/outputs programmed in the 1998-1999 budget was reduced by 40 per cent from their level in 1994-1995. Thus, ESCWA drastically reduced the number of activities in the areas of agriculture and industry, owing to the existence of specialized United Nations agencies in those two areas, focusing on those with a regional perspective and a multidisciplinary dimension. On the other hand, activities in the area of transport and water, which are not addressed by any specialized body, were expanded, in addition to human development, gender issues and statistics, which are addressed from a regional perspective.

153. ESCWA endeavoured to strengthen the consultative process with its stakeholders in order to address the apparent weak involvement of member States in the process of programme formulation, an issue that was highlighted in the inspection review of 1993. Four specialized intergovernmental subsidiary bodies were established and two more have been recently mandated, thus bringing the total number of specialized bodies to six as compared with one in 1993.

154. Generally speaking, there has been a noticeable strengthening of the external oversight mechanism. The same can be said with respect to internal oversight. In that regard, the team noted that ESCWA had established an effective system for tracking the progress of work and providing periodic feedback to management. While the system remains quantitative in nature, it provides a good basis for further development into a full-fledged management tool. This would require introducing a qualitative dimension through the development of performance indicators to measure success against quantitative and qualitative norms and standards.

**Generally speaking, there has been a noticeable strengthening of the external oversight mechanism. The same can be said with respect to internal oversight. In that regard, the team noted that ESCWA had established an effective system for tracking the progress of work and providing periodic feedback to management.**

155. The progress achieved in addressing the organizational, managerial and administrative issues identified in the earlier inspection is also tangible, but the results are less evident. Thus, while the secretariat structure has been streamlined into fewer divisions as suggested in the OIOS recommendation, the resources remain spread over a large number of sections and units. Aside from the fact that such an organization carries within it a cumbersome administrative workload, some of these sections/units do not have the critical mass to make a meaningful contribution. They rely heavily in their work on the services of consultants. ESCWA management has already taken action to decrease reliance on consultants and intends to continue to do so. A broadly defined structure would provide more flexibility in addressing multidisciplinary activities and in meeting emerging needs.

In that regard, ESCWA was invited to look into the cost-effectiveness of the Technical Cooperation Division, since the current volume of annual expenditures on operational projects does not appear to justify the existence of a separate division. It is also essential to articulate clearly the strategy for technical cooperation in order to provide a framework within which operational activities are conducted.

156. As for the overall managerial and administrative issues, improvements are demonstrable in many respects; there remain, however, a number of weaknesses that need to be addressed. First and foremost, the decision-making process needs to be more transparent and rationalized through an effective institutional mechanism for internal consultation. The effectiveness of such a mechanism requires that the terms of reference as well as the policies and procedures that govern the issues on which the committees and panels are expected to provide guidance to management be well articulated and that the members of those committees and panels are well aware of the procedures. It also requires that the composition of such committees is the result of well-defined and agreed-upon criteria on the basis of which the members are selected. In that regard, ESCWA should consider extending the consultative mechanism to include project appraisal review and publications review. Guidance to management in those two areas could be particularly effective.

157. In an apparent effort to address the issue of transparency, management has recently taken important steps to enlarge the consultative process. Those efforts must be enhanced and move towards addressing the apparently highly centralized decision-making process, in which authority tends to be delegated upward rather than downward. An essential step in addressing the issue would be to articulate clearly in a document the authority, responsibility and accountability of programme managers at various levels. The empowerment of middle management should be reinforced by clearly written policies and procedures.

**ESCWA appears to be on the road to recovery and efforts to make its work relevant to the region are demonstrable, both in terms of the activities and services delivered, as well as in terms of the positive reaction of member States to the quality of those services.**

158. All in all, and notwithstanding the above imperfections, ESCWA appears to be on the road to recovery and efforts to make its work relevant to the region are demonstrable, both in terms of the activities and services delivered, as well as in terms of the positive reaction of member States to the quality of those services. However, the current efforts of management towards that end need to be enhanced if the achievements are to be sustainable.

#### D. Monitoring

159. The current computerized programme performance system is designed to allow the Central Monitoring and Inspection Unit to prepare the Secretary-General's biennial report on programme performance of the United Nations. The system operates in a mainframe environment and its reporting function is inadequate for analytical purposes. In order to remedy the above limitations, the Unit is endeavouring to download the database from the mainframe to personal computers and to rewrite the programme and expand the system to provide further reporting options and analytical tools. The new system would enable the generation of a variety of reports on specific aspects of performance that could be useful to programme managers during the course of the implementation of their programme of work. It would also enhance the analytical presentation of the Secretary-General's report on programme performance.

#### E. Evaluation

##### *In-depth evaluation of the programme on statistics*

160. The report<sup>1</sup> on the in-depth evaluation of the programme on statistics reviewed the activities of the Statistics Division of the Department for Economic and Social Information and Policy Analysis and the statistical divisions of the regional commissions. It also included descriptions of related activities in the Statistical Commission and regional intergovernmental bodies concerned with statistics, subsidiary bodies and expert groups reporting to them, and the Administrative Committee on Coordination's Subcommittee on Statistical Activities.

161. The central focus of the report was on the needs of the primary users of the main outputs and services of the statistics programme and their utilization of those products. It was found that the identity of the users was clear, that

production decisions took their needs into account and feedback on utilization was regularly obtained for methodological work related to international recommendations; parliamentary services; on-line access to databases; customized services to users; and technical cooperation. In contrast, for print publications little reliable knowledge of the identity and needs of the primary users was either available or obtainable at reasonable cost. The efforts and skill mix of the staff, however, were heavily weighted in favour of the compilation and processing of statistics for use in publications.

162. A strategy to shift allocations, over the four-year period of the medium-term plan, to a focus on services determined by user needs and a knowledge of utilization patterns was proposed, consisting of recommendations on, *inter alia*:

- (a) On-line access to United Nations statistical databases;
- (b) Tracking and responding to needs of users;
- (c) Improvement in regional information systems;
- (d) Publications policy;
- (e) Evaluation of publications;
- (f) An integrated presentation of international statistical activities;
- (g) Analytical services to departments.

The Committee for Programme and Coordination discussed the report and commended its thorough review of the programme. The Committee agreed with its characterization of the statistics programme as an example of the type of activity that the United Nations did well and which served important needs of Member States.

163. The Committee for Programme and Coordination discussed the report at its thirty-seventh session and commended its thorough review of the programme. The Committee agreed with its characterization of the statistics programme as an example of the type of activity that the United Nations did well and which served important needs of Member States. The Committee endorsed the recommendations in the report on the understanding that the Director of the Statistics Division of the Department for Economic and Social Information and Policy Analysis

would propose an implementation plan and timetable to the 1998 meeting of the Working Group on International Statistical Programmes and Coordination of the Statistical Commission.<sup>2</sup>

*In-depth evaluation of the Department of Humanitarian Affairs*

164. See paragraphs 40 to 43 above.

*Topics for future in-depth evaluations*

165. A brief report, reviewing the in-depth evaluations undertaken since 1992 and those currently scheduled and making proposals for future topics of in-depth evaluations,<sup>3</sup> was discussed by the Committee for Programme and Coordination at its thirty-seventh session.<sup>4</sup>

166. The Committee recommended to the General Assembly that the following schedule of in-depth evaluations be approved, keeping in mind the need for desired flexibility to accommodate possible changes that might arise in the context of the reform proposals of the Secretary-General and subsequent decisions that might be adopted by the Assembly:

1998 International drug control  
Crime prevention and criminal justice

1999 Disarmament  
Electoral assistance

2000 Global development trends, issues and policies, and global approaches to social and microeconomic issues and policies, and the corresponding subprogrammes in the regional commissions (programmes 7.3 and 7.4 of the medium-term plan)  
Advancement of women

The Committee noted that, if necessary, it might revert to the consideration of the issue at an appropriate stage.

*Triennial review of the in-depth evaluation of the United Nations programme on social development*

167. The triennial review<sup>5</sup> restated the findings and recommendation of the in-depth evaluation of the United Nations programme for social development and the decisions of the Committee for Programme and Coordination in relation to them, and reviewed intergovernmental action following the World Summit for Social Development and programme implementation in relation to the findings and recommendations of the in-depth evaluation. The Committee discussed the report at its thirty-seventh session<sup>6</sup> and took note of it.

*Notes*

<sup>1</sup> E/AC.51/1997/2, annex.

<sup>2</sup> *Official Records of the General Assembly, Fifty-second Session, Supplement No. 16 (A/52/16)*, paras. 290-294.

<sup>3</sup> E/AC.51/1997/4, annex.

<sup>4</sup> *Official Records of the General Assembly, Fifty-second Session, Supplement No. 16 (A/52/16)*, paras. 295-303.

<sup>5</sup> E/AC.51/1997/5, annex.

<sup>6</sup> *Official Records of the General Assembly, Fifty-second Session, Supplement No. 16 (A/52/16)*, paras. 308-310.

## Appendix I

### Significant recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed

In paragraph 28 (d) of ST/SGB/273 of 7 September 1994 the Office of Internal Oversight Services (OIOS) is requested to include in its annual report an identification of each significant recommendation in previous reports on which corrective action has not been completed. The following areas in which implementation of OIOS recommendations was not completed by 30 June 1997 were discussed in the previous annual report of OIOS (A/51/432, annex) in the paragraphs indicated.

| <i>Oversight function</i> | <i>Addressee/subject/reference in previous annual reports</i>                                                                                   | <i>Status</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                     | Department of Peacekeeping Operations/United Nations Mission for the Referendum in Western Sahara<br>A/50/459, para. 43, and A/51/432, appendix | Implementation action by the Department of Peacekeeping Operations is still awaited on recommendations contained in two OIOS reports (A/49/884, annex, and A/49/937, annex) concerning an investigation of certain allegations and the audit of United Nations Mission for the Referendum in Western Sahara.                                                                                                                                                                                                                                                                                    |
| Audit                     | Department of Development Support and Management Services/Procurement by the Contracts and Procurement Service                                  | Implementation action is awaited on three recommendations contained in the OIOS report concerning procurement handled by the Contracts and Procurement Service (A/50/945, annex). Open recommendations include expediting the re-establishment of vendor files, issuance of instructions clarifying the propriety of assistance involving additional expense and ensuring a vendor's compliance with the terms of the invitation to bid and the subsequent contract award.                                                                                                                      |
| Audit                     | Department of Administration and Management/United Nations Postal Administration<br>A/51/432, annex, para. 102                                  | In the wake of declining operating results and to ensure the long-term success of UNPA, an OIOS report (A/51/897, annex) recommended an independent evaluation of current and alternative modes, including outsourcing, for implementing UNPA mandates. Such an evaluation should consider the "full cost" of operating UNPA, including services and facilities provided free of charge by the United Nations. The Department of Administration and Management has assigned responsibility for the evaluation to the Accounts Division; however, it is too early to expect full implementation. |

| <i>Oversight<br/>function</i> | <i>Addressee/subject/reference<br/>in previous annual reports</i>                                                                                                                                     | <i>Status</i>                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                         | Department of Administration and Management/global cargo and vehicle insurance<br>A/51/432, annex, para. 76                                                                                           | Regarding the recommendations contained in the OIOS report (A/51/307, annex), to date, implementation has been initiated, but not yet completed. An audit of commercial insurance as requested by the General Assembly is in progress and will review the implementation status.                                                                                                             |
| Audit                         | Department of Administration and Management/outsourcing<br>A/51/432, annex, para. 106                                                                                                                 | OIOS is still awaiting information from the Department on the implementation status of recommendations contained in the OIOS report (A/50/1005, annex).                                                                                                                                                                                                                                      |
| Audit                         | Department of Administration and Management/Electronic Mail<br>A/51/432, annex, para. 97                                                                                                              | To date, seven of the recommendations made in the OIOS report on e-mail (A/50/1005) have been implemented. Several others are in process.                                                                                                                                                                                                                                                    |
| Audit                         | International Tribunal for the Former Yugoslavia/review of 1997 resource requirements                                                                                                                 | Most of the recommendations in the OIOS report concerning the funding of the Tribunal (A/51/824, annex) were included in the revised budget estimates. Several recommendations regarding, <i>inter alia</i> , assessing alternatives to constructing a second courtroom and exploring less expensive field office staffing arrangements have not yet been implemented.                       |
| Investigation                 | Medical Services Division, Office of Human Resources Management/<br>investigation into the death of a United Nations staff member in Addis Ababa<br>A/51/432, annex, paras. 121 and 122               | The Division concurred in those recommendations but expressed concern about the financial implications.                                                                                                                                                                                                                                                                                      |
| Investigation                 | Allegation concerning abuse of authority in the United Nations Observer Mission in El Salvador<br>A/50/459, annex, para. 89                                                                           | In the context of drafting the Code of Conduct for United Nations staff, steps have been taken by the Office of Legal Affairs to reflect concerns expressed by OIOS on the scope of staff rule 104.10 (c). The Office of Legal Affairs has advised OIOS that the staff rules will be amended to achieve consistency with the new Code of Conduct. However, the process is not yet completed. |
| Evaluation                    | Reviews of the implementation of recommendations in in-depth evaluation reports are submitted to the Committee for Programme and Coordination three years after that Committee considers the reports. |                                                                                                                                                                                                                                                                                                                                                                                              |

## Appendix II

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### Reports of the Office of Internal Oversight Services during the period from 1 July 1996 to 30 June 1997

#### A. Reports to the General Assembly

Investigation of alleged misappropriation of United Nations assets at the United Nations Gift Centre (A/50/1004)

Management audit of electronic mail at the United Nations Secretariat (A/50/1005)

Management audit of United Nations global cargo and motor vehicle insurance programmes (A/51/302, annex)

Review of the management structure in the civilian staff component of the United Nations Peace Forces (A/51/305, annex)

Annual report for the period from 1 July 1995 to 30 June 1996 (A/51/432, annex)

Investigation of the United Nations access control system (A/51/467)

Inquiry into seminars of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (A/51/486, annex)

Audit and investigation of the International Criminal Tribunal for Rwanda (A/51/789, annex)

Report of the Secretary-General on enhancing the internal oversight mechanisms in operational funds and programmes (A/51/801)

Audit of Headquarters catering operations (A/51/802, annex)

Audit of the United Nations Logistics Base at Brindisi (A/51/803, annex)

Review of outsourcing practices at the United Nations (A/51/804, annex)

Review of the United Nations Environment Programme and the administrative practices of its secretariat, including the United Nations Office at Nairobi (A/51/810, annex)

Review of the 1997 resource requirements of the International Tribunal for the Former Yugoslavia (A/51/824, annex)

Review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat) (A/51/884, annex)

Audit of the United Nations Postal Administration (A/51/897, annex)

Review of the programme and administrative practices of the secretariat of the International Trade Centre UNCTAD/WTO (A/51/933, annex)

**B. Reports to the Committee for Programme and Coordination**

In-depth evaluation of the programme on statistics (E/AC.51/1997/2, annex)

In-depth evaluation of the Department of Humanitarian Affairs (E/AC.51/1997/3, annex)

Topics for future in-depth evaluations (E/AC.51/1997/4, annex)

Triennial review of the in-depth evaluation of the United Nations programme on social development (E/AC.51/1997/5, annex)

**C. Audit reports (department/audit subject)****Department of  
Peacekeeping Operations**

Liquidation of the United Nations Operation in Somalia (UNOSOM II)  
United Nations Assistance Mission in Rwanda (UNAMIR)  
United Nations Logistics Base at Brindisi  
United Nations Mission for the Referendum in Western Sahara (MINURSO)  
United Nations Angola Verification Mission (UNAVEM III)  
United Nations Office of the Secretary-General in Afghanistan  
United Nations Disengagement Observer Force (UNDOF)  
United Nations Truce Supervision Organization (UNTSO)  
United Nations Military Observer Group in India and Pakistan (UNMOGIP)  
United Nations Verification Mission in Guatemala (MINUGUA)  
United Nations Observer Mission in Georgia (UNOMIG)  
Office of the United Nations Special Coordinator in the Occupied Territories (UNSCO)  
United Nations Preventive Development Force (UNPREDEP)  
United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES)  
Liquidation of the United Nations Peace Forces (UNPF)  
United Nations Iraq-Kuwait Observation Mission (UNIKOM)

**Department of  
Humanitarian Affairs**

Coordinating role of the Department in the field during complex emergencies

**Office of the United  
Nations High  
Commissioner for  
Refugees**

Country programme in Zaire  
Programmes implemented by the Adventist Development Relief Agency  
Country programme in Mali  
Local committees on contracts  
Country programme in Sri Lanka  
Country asset management system  
Country programme in the United Republic of Tanzania implemented by the Tanganyika Christian Refugee Service

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|                                                                | Country programme in the Sudan                                                                     |
|                                                                | Country programme in Côte d'Ivoire                                                                 |
|                                                                | Country programme in Italy                                                                         |
| Department of Political Affairs                                | Committee on Missing Persons                                                                       |
| United Nations Special Commission                              | United Nations Special Commission                                                                  |
| Department for Policy Coordination and Sustainable Development | Programme performance of the Department                                                            |
| Department for Development Support and Management Services     | Project experts and consultants in the Department                                                  |
|                                                                | Project YUG/92/004 in Pakrac, Croatia                                                              |
|                                                                | Home leave travel in the Department                                                                |
| United Nations Environment Programme                           | Travel                                                                                             |
|                                                                | Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora |
|                                                                | Regional Coordination Unit for the Caribbean, Jamaica                                              |
|                                                                | Use of telecommunications                                                                          |
|                                                                | Secretariat to the Convention on Biological Diversity                                              |
| United Nations Centre for Human Settlements (Habitat)          | Rental subsidy                                                                                     |
| Economic Commission for Africa                                 | Secretariat of the Commission                                                                      |
| Economic Commission for Latin America and the Caribbean        | Secretariat of the Commission                                                                      |
|                                                                | Subregional Office in Mexico                                                                       |
| Economic and Social Commission for Asia and the Pacific        | Secretariat of the Commission                                                                      |
| Economic and Social Commission for Western Asia                | Secretariat of the Commission                                                                      |
| International Tribunal for the Former Yugoslavia               | Operations of the Tribunal                                                                         |

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| International Trade<br>Centre UNCTAD/ WTO                 | Catering services                                                                                      |
|                                                           | Travel agency contract                                                                                 |
|                                                           | Travel                                                                                                 |
| United Nations<br>International Drug<br>Control Programme | Data processing                                                                                        |
|                                                           | Project for the development of drug control structures, human resources and programmes in West Africa  |
|                                                           | Project relating to the mobile youth programme for drugs in Kenya                                      |
| Department of Public<br>Information                       | United Nations bookshop                                                                                |
|                                                           | Sale of publications                                                                                   |
|                                                           | Relocation of the United Nations Information Centre, London                                            |
| Department of<br>Administration and<br>Management         | Headquarters catering operations                                                                       |
|                                                           | United Nations Postal Administration                                                                   |
|                                                           | Freight-forwarding contracts                                                                           |
|                                                           | Integrated Management Information System: budget and project performance during the biennium 1994-1995 |
|                                                           | United Nations travel                                                                                  |
| United Nations Office at<br>Geneva                        | IMIS security                                                                                          |
|                                                           | Catering services                                                                                      |
| United Nations Office at<br>Vienna                        | Shipping operations                                                                                    |
|                                                           | Data processing                                                                                        |
|                                                           | Outsourcing of translation services                                                                    |
| United Nations Office at<br>Nairobi                       | Use of telecommunications                                                                              |

#### **D. Investigation reports (department/investigation subject)**

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|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Department of<br>Peacekeeping Operations                                                | Allegation of fraud in fresh rations contracting in UNFICYP                                                    |
|                                                                                         | Allegations of irregularities in rations contracts for UNTAES and UNPREDEP                                     |
| United Nations Relief<br>and Works Agency for<br>Palestine Refugees in the<br>Near East | Allegation of fraud in reimbursement of medical claims                                                         |
|                                                                                         | Internal control procedures for medical reimbursement claims                                                   |
| Department for<br>Development Support<br>and Management<br>Services                     | Allegation of violation of United Nations rules concerning active involvement in national political activities |

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| United Nations Centre<br>for Human Settlements<br>(Habitat)                   | Allegation of conflict of interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| International Trade<br>Centre UNCTAD/WTO                                      | Allegation of fraud<br>Internal control procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| United Nations<br>Population Fund                                             | Abuse of sick leave                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Department of<br>Administration and<br>Management/ Office of<br>Legal Affairs | Allegation of misuse of the United Nations name                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Department of<br>Administration and<br>Management                             | Allegation of misuse of United Nations premises<br>Improvement of programme delivery of translation services<br>Allegedly false documentation submitted by a United Nations aviation vendor<br>Allegations of procurement irregularities in relation to aviation contracts and<br>attempted manipulation of the United Nations, and in relation to aviation contracts<br>by a vendor<br>Allegations involving United Nations aviation contracts<br>Alleged waste of resources and alleged procurement irregularities in United Nations<br>aviation contracts<br>United Nations aviation contracts |
| United Nations Office at<br>Geneva                                            | Allegations of violation of United Nations rules by staff members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| United Nations Office at<br>Vienna                                            | Report on allegations concerning translation services at the United Nations Office at<br>Vienna                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |